

EUROPEAN NEWS

Flemish Liberal gets finance portfolio in Belgian reshuffle

BY PAUL CHEESERIGHT IN BRUSSELS

THE Prime Minister of Belgium will inevitably be a topic.

On his return he is likely to be embroiled in arguments among the Christian Democrats and Liberals who make up the Government at the end of the year with a cabinet reshuffle.

The most significant change is the appointment of a senior Flemish Liberal politician and former minister, Mr. Frans Grootjans, as the new Minister of Finance with the rank of Deputy Prime Minister.

He replaces Mr. Willy de Clercq, also a Liberal, who yesterday started work at the European Commission.

The reshuffle will be followed by a definition of priorities, probably in February, for the remaining 2 working weeks left to the parliament.

Mr. Martens goes to Washington next week for talks with President Reagan at which the domestically sensitive question of the siting of cruise missiles

Euphrates dam shares go on sale to Turks

By David Barchard in Ankara

REVENUE-SHARING certificates in the Keban hydroelectric dam on the Euphrates went on sale across Turkey yesterday as the second step in the Government's privatisation scheme.

Like the sale in December of certificates for the Bosphorus Bridge, the issue was handled by the Turkiye Is Bankasi, the state-owned bank which has undertaken to buy all shares unsold after a fortnight.

In common with the Bosphorus issue, this is a relatively small TI 40bn (£77m), split between three-year certificates sharing 11.5 per cent of the dam's revenue from electrical power, and those for five years sharing 10.5 per cent.

The General Directorate for Mas Housing and Public Partnerships says the three-year certificates should yield about 50 per cent a year free the five-year ones, around 38 per cent. Income should rise to 57.6 per cent and 64 per cent respectively at the end of their terms.

The Government has again selected a project in which investors are virtually certain to make a profit, barring a catastrophe destroying the dam on a change of government with hostile pricing policies.

The certificates were reported to be selling briskly in Turkey. In Ankara it is unlikely to have to buy up any unsold shares. The Bosphorus Bridge issue sold out within French foreign minister.

Despite the collapse of Herr Honecker's trip to West Germany, relations between Bonn and East Berlin have survived the chill from Moscow, which continues to accuse West Germany of revanchism.

Even the early last September of 150 East Germans according to a report by the East German newspaper. He will return a visit to East Berlin last year by the Italian Prime Minister, Sig Bettino Craxi.

Although East Germany's West politik appeared to grind to a halt over Soviet objections to closer contacts with West Germany, Herr Honecker has emphasised that East Germany is seeking a "coalition of reason" with all countries.

Laurent Fabius, the French Prime Minister is expected to visit East Germany in the first part of this year. It will be the first visit by a government head of one of the three Western allies in West Berlin

Honecker to make first visit to Nato country

BY LESLIE COLLI IN BERLIN

EAST GERMANY'S leader Herr Erich Honecker is to make his first visit to a Nato country this year after Soviet objections forced him to call off a planned trip to West Germany last September.

Herr Honecker is to visit Italy "in the next few months" according to a report by the East German newspaper. He will return a visit to East Berlin last year by the Italian Prime Minister, Sig Bettino Craxi.

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Czechs to balance debt and currency reserves

BY OUR BERLIN CORRESPONDENT

CZECHOSLOVAKIA's net hard currency debt, currently estimated at \$2.5bn, will be "balanced" by its hard currency reserves by the end of this year according to the chairman of the State Planning Commission, Mr. Svatopluk Potac. He said Prague was consolidating its financial and loan "independence" from the West.

Mr. Potac said Czechoslovakia would this year import from the West of machinery and equipment by 14 per cent, ending a curb on these imports as a result of the stringent debt reduction programme. At the same time he noted that such imports in the past had been put to poor use. Czechoslovakia is known to have some of the most obsolescent plant and equipment in Eastern Europe and has lost its former lead in fields such as textile machinery.

"We cannot go on forever recoupling ourselves to imported machinery and equipment not being put into operation on schedule or failing to reach the projected parameters," he noted.

The Czechoslovak planning chief said national income is targeted to grow 32 per cent this year, the same as actual growth in 1984 when it rose 0.5 per cent over 1983. Indus-

trial production this year is again expected to grow by 3 per cent, he said.

Mr. Potac was critical of the shortcomings in research and development and said "greatest of all was that innovation was not the main factor in economic growth."

Management planning and control were also termed unsatisfactory and Czechoslovak factories and foreign trade organisations were said to be only slowly adapting to changing conditions on Western markets. Comecon countries, too, were growing more difficult to satisfy. Mr. Potac noted, as the Soviet Union in particular was demanding goods of higher quality.

The planning chairman said a 4m kWh shortfall in electricity production resulting from delays in the construction of new nuclear stations would adversely affect the country's "economy and ecology."

Private consumption in Czechoslovakia this year is to increase by only 2.2 per cent while the average monthly wage is to rise 1.8 per cent, reaching 2,999 Koruna (\$432). Mr. Potac said the second phase of a new wage system to encourage individual performance and to increase wage differentiation is to be gradually implemented beginning

Ex-politician arrested

A former West German Free Democrat politician was arrested for allegedly robbing a jewellery store of DM 2m. DM 3m in gems and pistol-whipping two witnesses, the police told AP in Ludwigshafen. Herr Hans-Otto Scholz, former chairman and Whip of the Free Democrats in Rhine-Land-Palatinate, was arrested on his post.

Akzel helped Mr. Kyprianou, who heads the Democratic Party, sleep back to power in the 1983 presidential election. But he ended the alliance last month, saying there had been disagreements over the handling of the Cyrus problem and that he needed broader political support.

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WORLD TRADE NEWS

Reagan rejects ITC ruling on Duracell imports

PRESIDENT Ronald Reagan has rejected a ruling by the U.S. International Trade Commission (ITC) that imports of batteries made by Duracell's Belgian subsidiary should be blocked as unfairly traded goods. AP-DJ reports from Washington.

Duracell — a subsidiary of Dart and Kraft, of the U.S., a food and consumer products concern — had complained to the ITC that various U.S. wholesalers and retailers, taking advantage of the strength of the dollar, were purchasing from third parties in Europe batteries made by its Belgian subsidiary and importing them for sale in the U.S. as identical to American-made Duracell batteries.

Although the U.S. and Belgian batteries were considered identical in performance, U.S. consumers were being deceived, the company said, because they were not being told that some of the batteries they were purchasing were not made in America. As a result Duracell's U.S. operations were being injured.

Hungary shows way in personal computer sales

BY LESLIE COLLYT IN BERLIN

A HUNGARIAN joint stock company is demonstrating that the way to East European countries which want to sell more effectively to Western markets is to carry out economic reforms which spur business initiatives.

Novotrade Limited, whose shares are owned by nearly 100 state companies and banks, is the first East European company to successfully export video games to the West. This year it expects to earn \$1.5m (£1.25m) in royalties from sales of its 25 games in the UK, West Germany and the U.S.

The company, founded in 1983, was the first to lease U.S. Commodore 64 personal computers to Hungarian computer programmers. Spurred on by their share of hard currency profits, the programmers de-

veloped video games which were then sold to Novotrade's UK partner, Andromeda Software.

Novotrade, which has opened Hungary's first computer programme shop selling to both individuals and companies.

More than 10,000 Commodores are estimated to be in operation in Hungary and the Government, in order to boost computer sales further, slashed custom tariffs on personal computers last month by 50 per cent. The Commodore 64 costs about £19.95 (£24.57).

Hungary is the only Comecon country which has encouraged the domestic production and importation of personal computers. Czechoslovakia and East Germany are only now preparing to make a small number of these computers, most of which will, however, be for company use.

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Indian Airlines considers Airbus bid

Indian Airlines (IA) is considering an offer from Anglo-French Airbus Industrie for as many as 30 aircrafts, despite a letter of intent signed earlier this month for the multi-million dollar deal, a top IA official, Reuter reports from New Delhi.

"The letter we signed with Boeing is subject to final government approval and does not compel me to buy their planes. We will seriously consider any offer we get," Mr. Prasad, the economic adviser to the airline's managing director, said.

The letter of intent covered the purchase by India's domestic airline of 12 Boeing 757s. The Airbus Industrie offer is for 18 A320s.

The Moscow talks are set by U.S. officials in the context of recent statements by President Reagan calling for a wider and "more constructive relationship" with the Soviet Union.

Nevertheless, there has been minimum publicity in Washington about them, for fear of arousing expectations and U.S. right-wing opposition of anything that smacks of "normalisation" with Moscow.

One European banker said the new Airbus offer could mean both contracts are up for grabs again.

India's domestic carrier has hedged about \$600m (£500m) for the aircraft, and bankers from around the world have been flocking to its Delhi headquarters with offers of loans.

IA is an attractive proposition because it is one of the few carriers to make a consistent profit.

© Pacific Western Airlines of Calgary, is to sell its fleet of two Boeing 767 jets less than two years after the planes were delivered. Bernard Simon wrote in Toronto. The airline, whose routes are mainly in western Canada, has also cancelled orders for two other 767s, replacing them with a total of six smaller Boeing 737s.

PWA said passenger loads on the 767s have been disappointing, and that the stability of fuel prices in recent years has made the fuel efficiency of the 767 a less crucial factor than the airline anticipated.

U.S. TEAM BEGINS THREE DAYS OF DISCUSSIONS IN MOSCOW

Hi-tech curbs colour trade talks

BY DAVID BUCHAN IN LONDON AND STEWART FLEMING IN WASHINGTON

A U.S. Government team, led by Mr Lionel Olmer, under secretary of commerce, today began three days of discussions in Moscow in what are the first high-level trade talks between the superpowers since 1978.

The talks are as significant in political terms, as in terms of bilateral trade, which is dominated by the Soviet Union's cyclical but currently large needs for U.S. grain and by U.S. security restrictions and Soviet controls on purchases of U.S. high technology.

Last year U.S. exports to the Soviet Union amounted to \$2.5bn (£2.3bn) and were overwhelmingly agricultural, while Soviet sales to the U.S. were in the range of \$300m and were mainly metals and fertiliser raw materials. The volume is well below the peak of 1978.

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One side is to pave the way for a possible meeting soon of the U.S. commerce secretary and the Soviet Trade Minister as part of the U.S.-Soviet Joint Commercial Commission, under the rubric of the 1974 economic accord renewed last year.

The U.S. side will focus on increasing U.S. sales of non-



Team leader: Mr. Lionel Olmer, U.S. under secretary for commerce

"At the moment Moscow does not seem to know what it can and cannot buy from us," said one official in Washington, adding that the latest CoCom review had freed some less powerful computers, for example, from controls.

The U.S. team is also expected to complain that the Russians have won U.S. companies off some of their purchasing and contract tender lists. But Soviet officials, led by Mr. Vladimir Slobotov, deputy trade minister, are likely to counter that they cannot be expected to contract for deliveries of U.S. technology and turnkey plants spread over several years, as they did in the 1970s, when they believed that Washington will not interrupt such contracts for political purposes.

The U.S. has imposed sanctions against Moscow on and off in recent years, starting with President Carter's blocking of a computer sale in 1978 to protest a Soviet dissident trial. The most recent sanction was President Reagan's attempt to ban in 1982 on U.S. technology for the Siberian gas pipeline, ostensibly to protest martial law in Poland.

U.S. companies, like Caterpillar, which export sales to the Soviet Union, were for a time banned by political sanctions, and like International Harvester, whose agricultural division (now being acquired by Tenneco) has had long discussions with Moscow about supplying combine harvester technology, would also like some assurance of contract sanctity from the Administration before

they pursue further Soviet business.

One suggestion put to the Administration is that its August, 1983, assurance of contract sanctity on grain sales to the Soviet Union (which survived the political outrage following the September 1, 1983, shooting down of the South Korean airliner) might be extended to cover other areas.

But the Administration has apparently not been receptive to the idea.

Contact sanctity is an issue in still unapproved renewals of the 1979 Export Administration Act. The Senate version would give blanket protection to existing contracts from political or "foreign policy" sanctions, while the House of Representatives version of the new act would simply make such sanctions harder to impose.

There is, likely, to be something of an impasse on the larger trade issues, and on tariffs and trade. Negotiations to give Moscow most-favoured nation tariff status for its goods entering the U.S. market and export-import Bank credit were done 10 years ago on the Congressional requirement that the Soviet Union allow free emigration. This requirement still stands, and therefore U.S. officials say they expect no talk of MFN and credit this week in Moscow.

Thus, much of the discussion may focus on smaller issues such as U.S. company complaints about difficulties they face with finding office space and hiring personnel in Moscow.

S. Korean overseas construction orders fall

THE VALUE of South Korean overseas construction contracts totalled \$6.5bn (£5.4bn) last year, the lowest level in four years, industry officials say.

This compares with \$10.5bn the previous year, \$13.4bn in 1982 and \$12.7bn in 1981.

The 1984 decline was due partly to reduced oil revenues in Middle East countries and to cheap, competitive labour from third world countries such as China, Pakistan and the Philippines.

The Middle East headed the list of contracting countries last year, accounting for 91.2 per cent of the total, they said.

© China sent 11,200 workers overseas last year to build hotels, office buildings and housing, as the country's foreign construction business expanded, the official English-language China Daily reports.

Fokker wins satellite order

By Liane Baum in Amsterdam

FOKKER, the Dutch aerospace group, has received a \$1.4bn (£1.15bn) contract to provide the payload module and other equipment for the European remote-sensing satellite (ERS-1).

The ERS-1 will monitor oceans, coastal waters and polar areas to glean environmental and weather information that can be used by offshore, shipping and fishing industries. The satellite, which was commissioned by the European Space Agency and will go into orbit in 1988, will use radar and microwave instruments.

Fokker will have a 5 per cent share in the project as subcontractor to Dornier, the West German aircraft manufacturer which is the prime contractor.

The Dutch company will construct, install and test the payload module, which is the part of the satellite that carries the equipment. A satellite antenna and ground equipment will also be provided.

Senegal ore scheme set for export boost

BY PETER BLACKBURN, RECENTLY IN DAKAR

SENEGAL'S iron ore scheme appears set for an export boost following a series of marketing and fund-raising missions to Europe, the Middle East and Asia by Mr. Adamsa Diallo, the new chairman of the state-backed enterprise.

The project, which involves Senegalese, French and West German participation, hopes to capitalise on a predicted world iron ore shortage in the 1990s. However, Senegal has found itself caught in a race with its neighbours, such as Guinea and Gabon, which have undertaken similar projects, and Brazil, which recently launched the vast Carajás iron ore project.

These efforts have also come

at a time of severe iron ore price depression.

The message Mr. Diallo has been taking to potential clients is Senegal's proximity to Europe, the high grade of the country's iron ore and its political stability.

A chief sales target has been Romania. The Bucharest Government has expressed written interest in a possible counter-trade whereby it would accept payment of up to 1.5m tonnes per year of ore in return for work on the project.

Romania has been lined up for construction of a new port at Baryny, 20 km south of Dakar, and for civil works at the mine located at Faleme, 760 km east of Dakar.

Coframines 5 per cent each.

The point of Mr. Diallo's sales mission is to establish a guaranteed market of 5m tonnes a year in order to give the project a final go-ahead. The group's original annual output was set at 1.2m tonnes.

Civil workers tenders for the mine are scheduled to be issued next year, so that production can start by 1990.

China has been contacted to help finance and build 317km of railway between Tambacounda, on the main Dakar-Bamako line, and Faleme. It has also expressed interest in taking up to 1m tonnes a year of ore in possible counter-trade. A satellite antenna and ground equipment will also be provided.

AMERICAN NEWS

Mexico will repay \$130m bond issue

By Peter Montagnon, Euromarkets Correspondent, in London

MEXICO IS to repay a \$130m, 15-year bond issue brought to the market with a 17% per cent coupon in March 1982 just before its debt problems became acute.

The repayment was necessary because of problems relating to the conditions of the issue which call for the interest rate to be reset every three years, starting in March this year, according to St Angel Gurria, Director of Public Credit.

To reset the interest rate it would have been necessary to select a coupon that would have encouraged investors to hold on to the paper, but this might have also brought excessive profits for banks who could finance their holding with a three-year borrowing in the money market, he said.

The margin earned by banks in this way would have been a multiple of the rate of some 1% per cent now being offered to creditor banks for rescheduling \$4.8bn in public sector debt. The new coupon could also have involved setting an undeniably high benchmark for future fixed rate borrowing in the bond markets by Mexico, he said.

Mexico therefore decided to exercise its option to redeem the issue and wait until its rescheduling was completed before launching a long-term issue in the bond market.

Subscriptions to Argentine bank loan reach 94%

By Peter Montagnon, Euromarkets Correspondent

SUBSCRIPTIONS to Argentina's new \$4.2bn (£3.6bn) loan from commercial bank creditors have crept up to about 94 per cent of the total required, an increase of about 2 per cent in the past week.

Bankers say that the pace of the incoming subscriptions has, however, slowed since the International Monetary Fund agreed 10 days ago to release its \$1.7bn credit facility to President Raúl Alfonsín's government.

Lending creditors are battling to draw in subscriptions from smaller banks who have held out against making fresh loans and remain particularly disappointed by the response from Spanish banks which were expected to contribute about \$85m.

Senior Argentine officials are

S. European defences 'inferior'

ATHENS — The Warsaw Pact forces lined up against those of Nato members Turkey and Greece are superior in both numbers and quality, a senior U.S. official said in an interview published in Athens yesterday.

Mr. Richard Burt, Assistant Secretary of State European Affairs, told the conservative afternoon newspaper Vravim that the Warsaw Pact had a total of 34 Soviet, Romanian and Bulgarian divisions, mainly mechanised, lined up against 25 Greek and Turkish divisions.

He said the Warsaw Pact divisions were more mobile than those of Nato and had three times more tanks and 2.5 times more artillery.

The size and capability of the Pact forces are a tremendous challenge for Alliance defence planners, he added.

Mr. Burt warned that Greek relations "cannot be a one-way friendship." He said in the interview that the U.S. valued its ties with Greece but did not impose its friendship on any country.

Greek-American relations have been strained since Mr. Andreas Papandreou, the Socialist Prime Minister, came to power three years ago on an anti-American platform. Although Mr. Papandreou has taken no practical steps to loosen Greek ties with Nato and the West, his rhetorical outbursts against the U.S. have angered State Department officials.

To cultivate good relations, there must be a spirit of reciprocity and mutual respect.

Mr. Papandreou, who became a

U.S. citizen while attending and teaching at American universities, also denied he was pro-Soviet. He defended his refusal, however, to condemn the shooting down of a Korean airliner by a Soviet fighter after the airliner strayed over Soviet Far East territory.

Mr. Burt also said that the creation of nuclear-free zones in Europe would weaken Western security and increase the threat of war. Mr. Papandreou, who opposed deployment of U.S.-made cruise and Pershing II missiles in Western Europe, hopes eventually to make the Balkan countries a nuclear-free zone.

Mr. Papandreou, denying he was pro-Soviet, said in New York yesterday that he wanted the Mediterranean cleared of super power forces.

"I do not want American bases. I want to be left alone," he said on the CBS television programme "Sixty Minutes."

The Greek leader has angered U.S. officials by visiting Libya and freeing a suspected Arab guerrilla. Last summer, Greece signed a long-term co-operation deal with the Soviet Union to exploit thebanite mines of Mount Parnassus.

Asked directly if he were anti-American, Mr. Papandreou said: "No, quite to the contrary. I am in disagreement with the foreign policy of the Reagan Administration, that is clear. This I am prepared to accept. But that I am anti-American, no."

Mr. Papandreou, who became a

Reagan in bid to get across his message

By Reginald Dale, U.S. Editor in Washington

PRESIDENT Ronald Reagan is to hold his first formal news conference in six months tomorrow night to report on the U.S.-Soviet arms talks that began yesterday in Geneva, the White House said.

The nationally televised appearance is seen in Washington as intended both to launch a new drive to sell Mr. Reagan's "Star Wars" plan for space-based defence to the American public and to re-establish relations with the Washington press corps at the start of his second term in the White House.

The White House, however, would not comment yesterday on reports that Mrs. Nancy Reagan had persuaded the President to start holding at least one formal press conference a month — after a first term in which he held only 27, the lowest of any recent president.

Mr. Reagan angered both the White House press corps and his Democratic opponents by virtually suspending formal question-and-answer sessions in the run-up to November's elections.

Like many of his predecessors, he has frequently complained that reporters misinterpret his words and distort his views.

In an effort to put that right, the White House is also starting its own news service to distribute Mr. Reagan's speeches and announcements "unfiltered" by the media.

UK NEWS

BL sales dip in buoyant vehicle market

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BL, the state-owned motor group, ended a disappointing performance last year by sinking to its lowest ever share of the UK car market in December.

The group's penetration dropped to only 11.84 per cent last month compared with 17.83 per cent for December 1983.

For the year as a whole, BL's market share fell from 16.18 per cent in 1983 to 17.04 per cent - only marginally above its worst figure of 17.4 per cent in 1982.

Instead of achieving a target of 380,000 registrations, sales fell by 4.17 per cent to 312,554 from 325,858. To complete BL's dismal year, with a highly aggressive deal-incentive campaign, pushed its Peugeot model of the Metro which Austin Rover, BL's volume car offshoot, has been promoting as Britain's best-selling small car.

Demand for new cars in the UK last year remained at the second highest level on record. According to the Society of Motor Manufacturers and Traders, registrations reached 1,749,650 and were 2.35 per cent below the record total for 1983.

Ford retained market share and volume. Ford's penetration slipped

from 21.91 per cent to 21.83 per cent, while its volume was down from 510,045 cars to 496,971 last year.

Both Ford and BL seem to have suffered at the hands of General Motors, the Vauxhall-Opel group, which achieved record volume and share totals. GM's share improved from 16.83 per cent to 16.17 per cent and its registrations from 262,141 to 223,833.

To reach these levels GM imported many more cars from its factories in continental Europe. Imported cars accounted for 165,116 of GM's total sales, or 58.38 per cent, last year against 139,027 or 53 per cent in 1983.

Imports' share of the UK market rose from 56.92 per cent to 57.32 per cent last year, only below the record 57.7 per cent reached in 1982.

This is bound to cause some concern within the UK Government, as might the fact that the Japanese share of the market went above 11 per cent for the first time to 11.11 per cent.

In the past, under the terms of the "gentleman's agreement" between the British and Japanese car industries, the Japanese have held their penetration below 11 per cent.

UK CAR REGISTRATIONS

	1983	%	1982	%
Total registrations	1,749,650	100.00	1,751,880	100.00
UK produced	750,180	42.48	771,950	43.05
Imports	1,000,470	57.52	1,019,930	56.92

Source: Society of Motor Manufacturers and Traders

Andrew Fisher reports on the latest fleet acquisition on the English Channel routes

Euroferries relieves P & O of a headache

FOR MONTHS, it had been one of the main talking points in the UK ferry industry. What would Peninsular and Oriental Steam Navigation (P & O) do with its loss-making services across the English Channel?

The answer came last Friday. European Ferries announced that it was buying the Anglo-French services of P & O Ferries for £12.5m.

The City of London's verdict was a vigorous thumbs-up, although Euroferries had not been widely seen as the solution to the P & O ferry problems.

Sir Jeffrey Sterling, the newly knighted chairman of P & O, was pleased to be rid of an operation that had made large losses. Mr Kenneth Siddle, the chairman of Euroferries, which owns the Townsend Thoresen ferry concern, commented: "Sir Jeffrey has got rid of a headache."

Sir Siddle was unwilling after the signing of the deal to say what Euroferries intentions were for the five P & O ferries - the Lion, Panther, Dragon, Leopard, and Tiger - or the 1,100 shore and sea jobs that went with them. But Euroferries is keen to see Townsend Thoresen stay at the top of the cross-Channel market league. From Dover, the

main UK cross-Channel port, it already has about 35 per cent of the passenger traffic, 48 per cent of the cars and 50 per cent of the freight.

With P & O (which is keeping its North Sea and Scottish island routes), Euroferries has gained an

TOWNSEND THORESEN

other 16 per cent of the Dover passenger business and rather less of the rest. Sealink UK and its European continental partners are number two across the Channel.

The so-called "ocean ships" of P & O, operating from Dover to Boulogne and Portsmouth to Le Havre, are regarded in the industry as too old, too small and too costly to run. It would have cost P & O Ferries between £170m and £180m to replace them. Sir Jeffrey admitted that the company had "scoured Europe" to try to find large, modern ships to charter.

Executives of P & O Ferries wanted to develop long-range plans for the fleet. However, Sir Jeffrey, who has tightened up the P & O group's finances considerably in beating off the bid from Trafalgar House, was ultimately not prepared to spend the money.

P & O's services to France lost

more than £2m in the first half of last year. The group has recently taken delivery of a £150m (£130m) cruise ship from Finland and is likely to invest over £40m in a new passenger and freight ferry for the North Sea.

Its partner in the profitable

North Sea Ferries company, Nedlloyd of Holland, will do the same.

For Sir Jeffrey, it was a matter of priorities, with no immediate hope

of reversing the channel losses.

Sir Siddle hopes that the deal will not fail foul of the Monopolies and

Mergers Commission. Without a

partner to Euroferries' it seems that the Boulogne and Le Havre routes of P & O would probably have been closed.

The purchase from P & O puts

Euroferries' Townsend Thoresen

further ahead of Sealink on the

short sea routes from Dover. It re-

MAIN SUMMER FERRY SERVICES TO CONTINENTAL EUROPE

	Number of ships	Routes
Townsend Thoresen*	17	Dover to Calais, Zeebrugge Folkstone to Zeebrugge Portsmouth to Le Havre, Cherbourg
P & O Ferries	5	Dover to Boulogne Portsmouth to Le Havre
Sealink†	25	Dover to Calais, Dunkirk, Ostend Folkstone to Boulogne Harwich to Hook of Holland Newhaven to Dieppe Weymouth to Cherbourg
Hoverspeed	6	Dover to Calais, Boulogne
Sally Line	2	Dover to Dunkirk
Brittany Ferries	4	Portsmouth to St. Malo Plymouth to Roscoff, Santander
Olas Line	3	Sherness to Vlissingen

* Owned by European Ferries, which has just bought P & O Ferries' services to France.

† Including Sealink UK's French, Belgian and Dutch partners.

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Euroferries' Townsend Thoresen

further ahead of Sealink on the

short sea routes from Dover. It re-

sults to be seen, however, what

Townsend will do with its extra

market share. It will probably let

some of it go by reducing the ex-

P & O Ferries fleet. It has made no

guarantees on the P & O jobs, so

some reductions seem likely.

It could be spending several hun-

dred million pounds in comlog

years, with new cross-Channel

ships, expansion of Newhaven for

traffic like car imports, and far-

reaching plans to develop Harwich

as a large container port to rival Fe-

lixstowe.

Amid the ambitions of Sealink, Townsend Thoresen, and their

smaller rivals like Sally Line, Hooverspeed, and Brittany Ferries, there

remain some severe problems on

the Channel. The hovercraft oper-

ator, like P & O, is squeezed be-

tween the two ferry giants. The lat-

est disruption over the introduction

of French railways (SNCF), Sealink's

partner across the Channel, to

make its operations more commer-

cial shows that considerable strain

exists within the grouping.

Nor at this stage, does anyone

know how the cross-Channel mar-

ket will shape in 1985. The peak

passenger months are July and Au-

gust; freight remains fairly con-

stant through the year.

Last year's traffic was affected by

the two UK dock strikes.

Company profits advance with 10% rise in third quarter

BY PHILIP STEPHENS

COMPANY profits in Britain rose strongly in the third quarter of 1984. The Central Statistical Office said yesterday that the gross trading profits of industrial and commercial companies rose by over 10 per cent in the three months to September, up £13.2m, 18 per cent higher than a year earlier.

The rise partly reflected a bounce-back from an unexpected fall in the second quarter, but nonetheless underlined the dramatic recovery in profits over the past two years.

For the first nine months of 1984, profits were 20 per cent higher than for the same period a year earlier, with the rise spread fairly evenly between North Sea oil companies and non-oil businesses.

The profits figures contrast with

the flat trend in real personal disposable incomes shown in separate

statistics from the CSO yesterday.



Ministers may propose levy on blank tapes

BY RAYMOND SNODDY

GOVERNMENT ministers, it is believed, have accepted in principle the case for a levy on blank audio and video tapes.

Such a view is expected to be reflected in a government Green Paper (discussion document) on copyright law reform due to be published within the next few weeks.

This would reverse the stance of the 1981 discussion paper on the subject, which came down against such a measure.

The aim would be to compensate copyright holders for their loss from unauthorised copying. Recent market research for the British Phonographic Industry (BPI) suggests that more than half the UK population have used blank cassettes to make their own recordings

with 1,125 scanning lines, nearly double the current standard, for clear, colourful, ultrawide-screen display of programmes televised via satellite.

These examples demonstrate a few of the ways in which Hitachi is improving upon basic technology. Then using it to create practical tools that meet your needs... and those of professionals in broadcasting, medicine, computing, and virtually every other field you can name.

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Our vision of the future includes video screens so thin you can hang them on the wall like pictures. Portable communicators with pop-up colour displays no bigger than a credit card. Laser holography systems for three-dimensional viewing. And much, much more.

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TECHNOLOGY

EDITED BY ALAN CANE

KNOWLEDGE BASED SOFTWARE SHOULD COME INTO ITS OWN THIS YEAR

Expert systems for amateurs

BY IAN HUGO

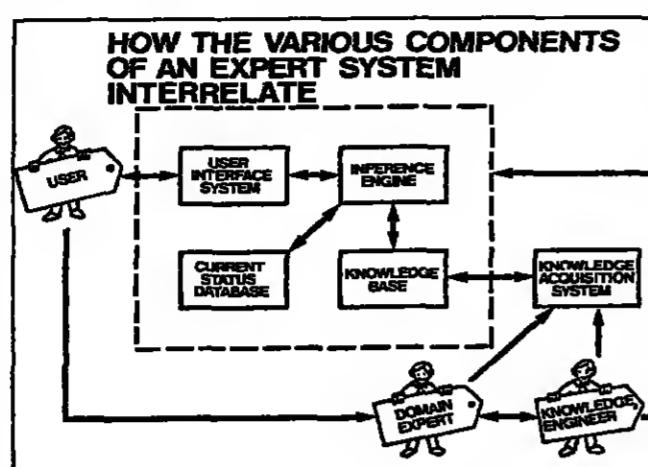
EXPERT SYSTEMS are still generally regarded with suspicion in the commercial world, as just so much technology "hype". All that could be changed in 1985.

So far, the few directly useful expert systems that have been developed (and there have been very few) have been directed at medical diagnosis, geological prospecting, computer systems configuration and the like. General commercial applications have now begun to make their appearance and this year should see many more.

Two reasons for expecting this, apart from hints from some software suppliers, are the increasing importance of "user friendliness" in producing the extra users that the computer industry needs to keep on growing and the fact that IBM has been taking a strong interest in this new technology.

The technology now allows expert systems to be built for a number of applications in finance and accounting, administration, for which the potential number of users is very large. Paradoxically, the initial tasks tackled will be relatively simple.

Hence Mitchell, of the British expert systems company Business Information Techniques, speaking at a recent Xerox seminar, suggested that the kind of commercial task that



could be tackled by expert systems has been centred in systems now was the sort that could be run on a personal computer. With sales of personal computers increasing rapidly year by year, that is indeed a fortunate circumstance. Systems that provide support for decisions affected by government legislation (tax advice, grants advice, personnel selection) are a primary target.

The paradox results from misconceptions about expert systems that explain the suspicion with which this technology has been regarded. This kind of science fiction has helped to hide an important fact about expert systems. Partly because work on expert

systems has been centred in advanced research establishments as MIT, Stanford and Carnegie-Mellon universities, and partly because of associations with artificial intelligence, there have been some rather wild suggestions of computer systems replacing experts. This has been coupled with considerable scepticism about whether it is even practical systems would be delivered. The type was perhaps in context in 1984.

This kind of science fiction has helped to hide an important fact about expert systems. The most significant fact about expert systems is that they change the

SOPHISTICATED 'BOLT-ON GOODIES' FOR OFFICE MICROS

Adding mail and telex to the humble P.C.

THE PROFESSIONAL personal computer became the de facto executive workstation because of the way computing services companies were able to graft office functions onto what is basically a data processing machine.

First there were word processing packages of varying degrees of sophistication; now there are packages to handle telex and electronic mail.

The best of these latter machine make it possible for the humble personal computer to behave virtually as if it was a dedicated telex terminal or electronic mail terminal.

The secret is background processing, a clever software technique which enables the

microcomputer to continue with one dedicated task while keyboard and screen are occupied with another.

Braid Systems of Buckingham Palace Road, London, has been building a powerful reputation for these very sophisticated telex and mail systems—its Telex Manager package, for example, has been installed in over 400 UK installations and the product is distributed by the Computerland and First Computer groups.

According to Mr Greg Meekings, Braid sales director, the special virtues in its Telex Manager lie in its use by telex operators as well as computer specialists and word-processor trained secretaries.

It includes a user interface program dedicated to telex functions, provides for incoming telexes to be stored on disk and maintains a telex directory. Recently Braid launched its "Mail Manager," an electronic mail package for PCs in which it has tried to duplicate the sophistication it built into its telex program.

This new package can be used for sending mail between micros in a private network or through any of the public electronic mail services such as Easylink, One-to-one and Telecom Gold.

Its features include automatic collection and delivery of mail, full error recovery, comprehensive status logging and automatic

mail printing. All of these, Braid points out, are carried out in background mode while the computer is being used for other business applications.

The computer handles the modem, telephone dialling, service level dialogue, collection and delivery of mail without human intervention.

Last week Braid announced its first OEM order for Mail Manager. Encotel will market Mail Manager on the FX20 and FX30 range of microcomputers made by Future Computers.

Mr Keith Bewerton, Encotel sales and marketing director said: "Mail Manager is a superb product, certainly the best electronic mail system currently available."

Choosing the medium for moving images

Video & Film

BY JOHN CHITTOCK

Many people are confused by the two media and fail to appreciate the principles which should govern the choice of medium.

Over 90 per cent of TV commercials are originated on film. To confuse matters even more, tape-to-film transfer processes are available so that video signals can be turned into film prints—but the results are a second best to using film in the first place.

It is generally true that the originating medium most suited to the distribution medium is the same—eg films displayed via television or video will not yield such perfect technical results as videotape. So why do TV commercial producers prefer film?

Emotional conditioning apart, film reproduces its images with a quality aided by tonal rippling—due to the characteristics of silver halides, but enhanced by the mobility and flexibility of film cameras. The result, on the screen, is liable to have a subtle veneer of unreality—whereas videotape tends to yield a harsh feeling of actuality. Thus film can have a creative edge.

Some television cameras are now available which are designed to behave more like film cameras—ergonomically

and in their characteristics of image reproduction. An example of this is the Panacam, which comes from the famous Panavision studio. The 35mm film camera used in more feature films than any other make.

Cameras such as the Panavision may be the end result to look more like film when seen on television, but there are still plenty of other factors that may govern the choice of media.

Video shooting, although it can be faster when multi-camera set-ups are employed, ties up more equipment of high capital cost and demands greater preparation and rehearsal. The sequence of the best that video is cheaper and faster than film is often erroneous and subject to many qualifications. On location, especially in hostile or precarious environments, video equipment is also less easy to handle physically.

At the editing stage, video allows less scope in manipulating the structure of sequences. Potentially the scope is there, but in practice it is slower to assess the results of editing changes; and the high hourly cost of video editing suites puts great pressure on the editor, whereas the film editor can indulge in weeks of deliberation over his assembly of shots.

The client can, however, walk out of a video editing suite with the finished copy under his arm; with film, a week at least will pass before the earliest print is available.

The choice between video and film is thus an extraordinary exercise in weighing up the requirements peculiar to each situation. Additional factors such as the availability of better special effects on video—or the ability of film to cope with difficult lighting situations—all may contribute to the well-reasoned decision.

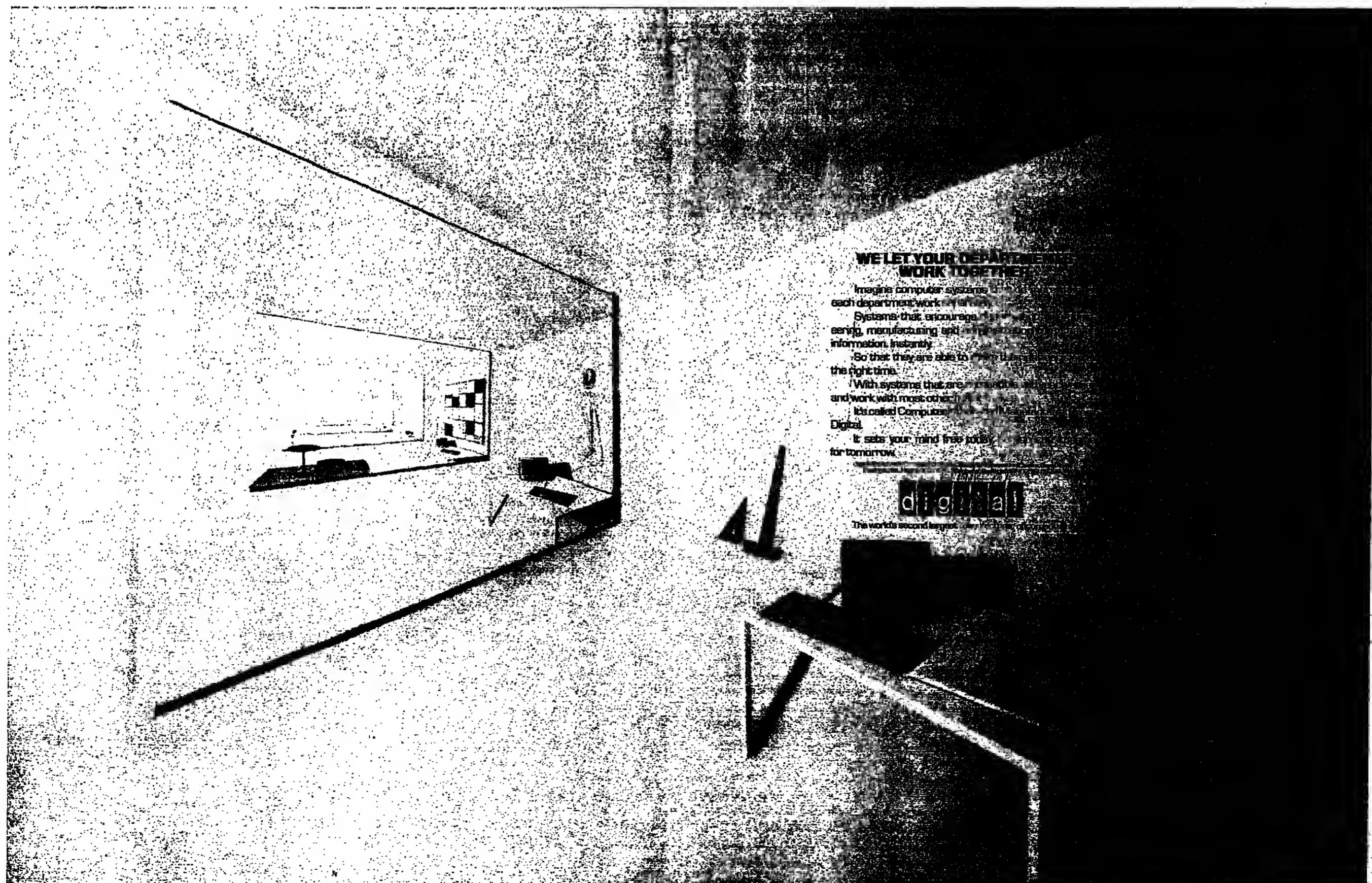
Fortunately, the two sides of the industry have now closed the emotional gap and even a mix of both technologies is common. Where the lens, the jib, the young medium can still produce its die-hards—such as a previous chairman of the Royal Television Society, who dismissed film as "moving pictures with vertical scratches on the screen." Which of course aroused the emotions of a film loyalist, who retorted "better than fuzzy pictures with horizontal lines."

More on 226 23888.

Treatment Power blasting

A SUCTION shotblast cabinet can be easily converted to pressure blasting using a new version of "Miniblast" from Power Blast of Camberley.

Output is said to be increased three to four times by use of the device without an increase in power requirement. Miniblast can be fixed under the shot blasting cabinet and operated via a pedal which operates a servo control valve on the main air inlet. Releasing is automatic through a self-operating mushroom valve at the top of the machine.



John Hugo

the good news is
FERRANTI
Selling technology

Financial Times Tuesday January 8 1985

APPOINTMENTS

New chief at Gallaher Tobacco

Mr A. D. Househam has been appointed deputy chairman and chief executive of GALLAHER TOBACCO. Joining Gallaher in 1974, Mr. Househam has held various chief executive appointments within the Gallaher Group and is also a director of the Gallaher Group and Gallaher Tobacco.

NATIONAL SEMICONDUCTOR DATACHECKER LTD. has appointed Mr Gordon Ambrose to the newly-created position of managing director, European operations. He has been managing director of the UK operation since 1981.

The SCOTTISH INVESTMENT TRUST has appointed Mr J. B. Michael Dick as Investment secretary.

Sir Ewen Broadbent has been appointed to the board of INTERNATIONAL MILITARY SERVICES LTD. as managing director. He was second permanent secretary at the Ministry of Defence until his retirement last September.

Mr Ian Jones has been appointed managing director of MANGAGE UK. He has been acting managing director since

June 1984 and previously held senior management positions with Robert Bosch in Europe as deputy managing director of Europe France and as director of finance, Europe.

Mr Charles Price has been appointed a director of N. M. ROTHSCHILD & SONS.

Mr Paul Hunt is to be managing director of DERWENT FABRICATIONS, a subsidiary of International Thomson Organisation, from January 7.

Mr Roger Payton has been appointed a non-executive director of GREAT PORTLAND ESTATES.

Dr John G. White who was appointed to the BBA GROUP in October 1984 and became group managing director on January 1 will, in addition, become chairman of the following group companies: Standard Inc.; Standard Limited; and Texstar GMHRL.

Mr Anthony Banks has become managing director of ARC CONCRETE to succeed Mr Peter Reeves who retires at the end of February. Mr Banks joined the

company last October from T-CLASS Fibres and for the previous six years (1977-1983) was group chief executive of Turner Holdings (Pty), Zimbabwe subsidiary of Turner and Newall.

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CONTRACTS

£9m batch for Rush & Tompkins

RUSH & TOMPKINS has secured six building contracts worth more than £2m. The largest, valued at £3m, is with the Property Services Agency for the provision of facilities at Dale Army Camp in Chester. The contract comprises warrant officers' and sergeants' mess blocks, transport and stores buildings, a sports pavilion and an unoccupied obstacle course. The project is on site and will be completed in 18 weeks.

The Salisbury office has started a £2m contract to convert the former Dingles department store in Bournemouth into the UK's first "home and lifestyle" centre for joint developers Glengate Properties and Southern Developers. To be undertaken in two phases, the three-storey complex will provide 55,000 sq ft net retail space in addition to a ground floor restaurant and a first floor cafe. Completion is scheduled for October 1988.

In the centre of Salisbury Rush & Tompkins has started a £2m retail unit for the Royal Charter for Salisbury District Council. The brick clad reinforced concrete frame structure will provide approximately 560 spaces when it is completed in June this year.

In Middlesbrough, the Stockton office has started a £1.15m food preparation and distribution centre for meat pie manufacturer H. Morris. The 20,000 sq ft modern steel frame building has extensive refrigeration installation and incorporates 5,000 sq ft office accommodation. Construction is expected to take 34 weeks.

A 25,000 sq ft Flor Fare supermarket is underway at Louh in Lincolnshire. Rush & Tompkins' Nottingham office started demolition of existing buildings at the Eastgate site late last year, and the first single storey reinforced concrete frame will be completed with a 200 space car park is expected to be completed by August.

In London, R&T's Sidcup office has started a £1m design and build contract with Lambeth Borough for 24 factory units at Milkwood Road. The steel portal frame buildings will provide a total floor area 30,700 sq ft when completed in June.

*

£8.5m Dewsbury hospital work

TAYLOR WOODROW CONSTRUCTION (NORTHERN) has won an £8.5m share of a £14m contract to build an extension to St Helens District General Hospital, Dewsbury. Taylor Woodrow will be working in joint venture with the Co-operative Wholesale Society and William Steward & Co on the contract awarded by the Yorkshire Regional Health Authority. Work is due for completion in July 1988. Work comprises four nucleo-designed or cruciform templates and a service centre of mainly three storeys, with extensive plant rooms in the roof space. Buildings will be reinforced concrete structures on column bases and ground beams. External work includes roads, drainage and other services.

*

A contract worth more than £200,000 for the supply, glazing and installation of aluminum windows for a new building for Commercial Union Properties (UK) in Swindon, has been awarded to CRITTIALL WINDOWS. To be finished in a polyester powder coating of cobalt blue, the windows will mostly comprise Crittall's Luminaire Window Grid—the thermally broken system designed by the company to meet the need for large window composite or symmetric grid constructions. The contract is part of phase 3 of the project.

*

Sussex County Building Society has signed a contract for a computer system with BURROUGHS MARVELL. The order, worth over £500,000, is for an E3855 mainframe computer system with B25 micro-computers, LINC (Burroughs system generator) and a building society "blueprint" — a working system which lends itself to modification to suit individual society needs.

*

A £430,000 contract has been awarded to BALEFOUR BEATTY CONSTRUCTION by the English Estates at Gateshead for the erection of four blocks of factory units and offices to form seven individual factories at Leebemore Industrial Estate, Sunderland. Work consists of structural steel portal frames with reinforced concrete foundations and floor slabs. The external walls comprise brickwork and blockwork dabs walls with insulated steel cladding above and on the roof. A second contract valued at £250,000 is for the erection of two single storey factories with a total floor area of 3,315 sq metres on the Crowther Industrial Estate, Washington, Tyne and Wear. The contract includes structural steel frames, concrete flooring, "speed deck" roof cladding and profiled wall cladding. The third contract is for the construction of a 350 sq metres building around existing premises at Yarm, Cleveland to form a doctors' group practice surgery and clinic. The 20 week contract, valued at £14,500 also includes car parking, access and external works.

All of these securities have been sold. This announcement appears as a matter of record only.

U.S.\$67,000,000

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INCORPORATED

December, 1984

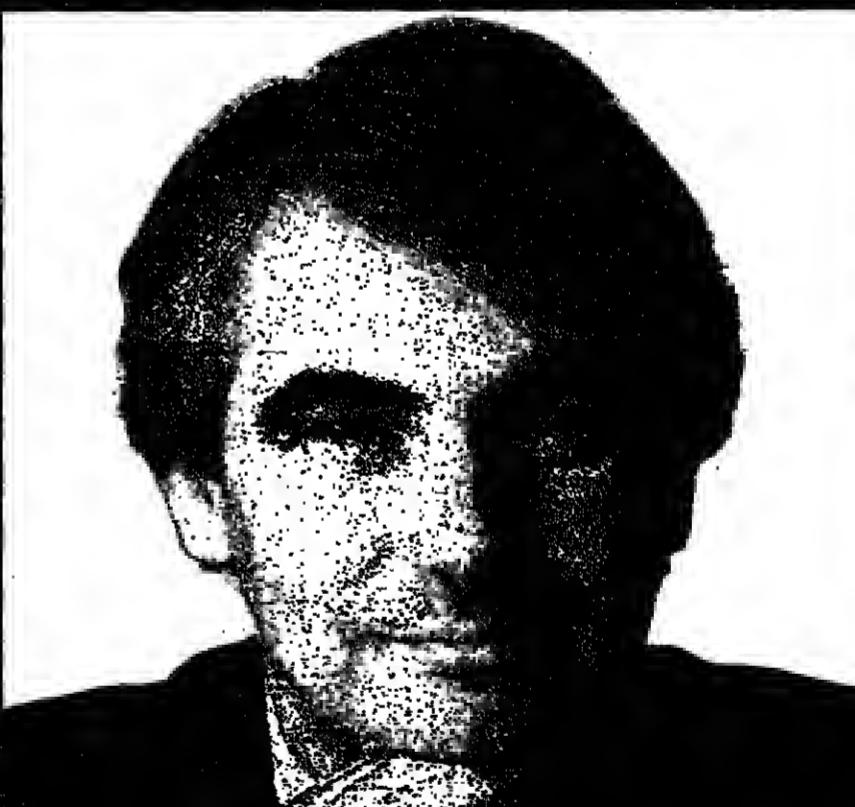
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THE ARTS



Stubbs's Cheetah and Stag with two Indians

Review of 1984/William Packer

The year of Venice and Stubbs

The Christmas interval is the time I put my work in some sort of order, knock out an index and file it all away. It is a brief seasonal therapy that tends easily to retrospection, though not of any exhaustive or definitive kind; for my index can carry only those things I both saw and wrote about in a year in which I saw so much else worth noticing, but could not or would not write it up, for whatever reason.

So what of the Old Year? On the whole it was not too bad at all, parts of it indeed excellent—as the curate with his egg, so with 1984, one's satisfaction or displeasure depending rather upon where precisely one should choose to place it.

My first piece last January, was on the Royal Academy's extraordinary winter show, The Genius of Venice, then halfway through its run, stuffed full of Titian and Veronese, Bassano and Tintoretto, an exhibition so splendid and comprehensive as to be, at least by reasonable expectation, as improbable as it was unrepeatable. Such a thing had almost no right to happen, nor so we had been led to think, for all such capital works are surely too fragile to be moved, too valuable to insure, altogether too rare and precious to lend or put at risk in any way. And yet this same year, that began with Venice, has ended quite as spectacularly, with Stubbs and Bassano closed (at the Tate and Hayward, respectively) and Chagall about to open at the Academy, and Ravel at the Hayward. In between there have been such other treats as the Dutch genre Masters, Vermeer, Terborch, de Hooch and all, the Orientalists, and the Thyssen-Modern Collection (all at the Academy), the Pre-Raphaelites (at the Tate), and The Capricious View, Degas in Focus and the Danish Golden Age (all at the National Gallery).

What with the V. and A. (Rococo), the Imperial War Museum, the National Portrait Gallery, the British Museum (Master Drawings), the British Library and the Barbican (Tissot as well, each with its programme of special exhibitions, London is hardly badly off for institutional fare, which though we may deprecate its quality from time to time and its master put all the time of difficulties in the way of its presentation, still bears comparison with the best of what New York or Paris can offer. That we now need sponsors to come forward almost every time with the necessary

trees. Individual artists declare roots of the visual imagination themselves or at least make the attempt, which was ever the case; and here it is true that sculptors have been prominent. The Caro retrospective at the Serpentine was a major event, and King, Kenny, Long and Flanagan are only a few of the more established to have shown important work. And yet again there is a much-valued school of New British School doing very well, thank you here and abroad—Deacon (with Long a finalist for the Tate's Turner Prize), which is more welcome than its reception indicated. Crowley, Woodrow, Cragg, McKenna, Houshany, Wilding, Blakemore, are a few of the names to follow.

But again for me it was the painting that proved more interesting, though in an even more general, and not only preoccupied with immediate current production, and it so happens that almost all of it has been either painting or drawing—for which I make no apology. Face the cavalier and his Lascata, I love sculpture none the less for having painted more, and to move from Titian to Bonnard by way of Watteau, Vermeer and Stubbs is hardly to look for further argument or persua-

son. The Stubbs in particular was a revelation, at once demonstration and celebration of a master of whom, whether by national temperament and taste or circumstance and mistake, we have made far too little for far too long. Sir Thomas Browne put it well: "I can look a whole day with pleasure upon a handsome picture, though it be but of an Horse." Quite so: Stubbs' picture will remain but a horse painter, though rather a good one, to all those who can see no farther than a painting's apparent subject; to the rest of us, he now stands as one of the great men of the Enlightenment, with a real claim to being the greatest English painter of his century, and I would put him second only to Turner overall.

About contemporary work, to which I come at last, there is less to say, simply because we are yet too close to see much more of the wood than the season.

'Fool for Love' transfers

The National Theatre's production of Sam Shepard's Fool For Love, with Julie Walters and Ian Charleson at the Cottesloe—were David Troughton and Tom Watson. The play's last performance at the Cottesloe will be on Thursday, January 31, and the performance originally scheduled for March 3 and 9 replaced by David Mamet's Glengarry Glen Ross.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

ITALY

Nilan, Teatro alla Scala: The Barber of Seville, Carmen, directed by Piero Fazzoni conducted by Claudio Abbado with Agnes Baltsa, José Carreras and Ruggero Raimondi (60/126).

Naples, Teatro San Carlo: Turandot conducted by Daniel Oren and directed by Alberto Marzolla with Gianna D'Angelo, Cecilia Gasdia, Giuseppe Giacomo, Carlo del Bosco (60/126).

Bologna, Teatro Comunale: Merry Widow (22/29/86).

Trieste, Pelleas et Melisande by Debussy (63/18/86).

Rome, Teatro dell'Opera: The second Trials of the Cenobites in Italy (after the successful Florence production) this time conducted by Peter Maag and directed by Alberto Fassina, sung by the young American soprano, June Anderson with Giuseppe Tadini and Antonio Capuano. "Cenobites" is a ballad in two acts with choreography by Enrico Tadini, set and costumes are by Massimo Sakalova and the director Alberto Verunica (46/17/85).

NEW YORK

Metropolitan Opera (Opera House): James Levine conducts the last performance this season of Simon Boccanegra with Sherrill Milnes playing Verdi's powerful character, that also includes Ariadne and Antigone conducted by Andrew Davis and starring Jessye Norman. Jeffrey Tate conducts Così fan tutte with



Agnes Baltsa, who sings Carmen in Milan this week.

Carol Vaness, Ann Murray and David Randall. Lincoln Center (382 8000).

New York City Ballet (New York State Theatre): The 81st season moves from the end of the month of The Nutcracker to a mixed programme including Jewels, Agon and Antigone. Lincoln Center (970 5370).

WASHINGTON

Washington Opera (Terrace): The season premiere of Zack Brown's 19th production of The Barber of Seville conducted by Nicholas McGegan joins Leon Major's new production of L'italiana in Algeri conducted by Joseph Resnick with Frank

Gertrude Stein and a Companion/Bush

Michael Coveney

Picasso once told Gertrude Stein that Braque and James Joyce were the incomprehensibles whom anybody could understand. The same shroud of studied simplicity surrounds Stein herself with that looming, deceptively fascinating shade of Alice. Toklas wrote only from the wings. Alice was only half what we understand, when seated with the wives of geniuses, or with the wives of near geniuses, or with the near wives of geniuses, or looking at hats. How to make Alice interesting, when palpably she was not? Or was not, palpably. Or was Palpably. Not.

At least in Wells' chamber play avoids that sort of obvious game and, with all odds, all again, how odd it proposes that Alice, or rather Natasha Morgan as the lesser known partner of the famous Jewish lesbian double act—a sort of inter-War Parisian Gilbert and George. I sometimes feel sometimes, time seems feels some. Time. Feels. Time weighs and wastes—and yet Ms Morgan grows and

cries and fills her eyes with funny tears. She dies in 1967, 20 years after Stein and "Babek" and the broken car called "Auntie" which you will only know if you know what they know she knows you know.

Enough of that and now of this. Of this and that man sits, playing mostly on the saxophone, and clarinet, though not on all three instruments at the same time, oh no, he sits and when not playing shuns his eyes, wisely perhaps or is he just relaxing on the chair. He wrote the music, too. His name is Peter Jarvis. There is no more to say for he is a musician.

A writer, that is different, a writer needs praise not criticism, or so Wit Wells' Gertrude says although in fact that is more like what Noel Coward said. What Gertrude Stein once told Alice Toklas, who wrote it down in her autobiography without moving her hand, was that no artist needs criticism, he only needs appreci-

ation. Which is and was and is much finer. This came shortly after Gertrude Stein told Hemingway that remarks are not literature. Which they are not. No more than are reviews.

Broad curtains, "pusey dear" and corner of the boudoir are not what you expect, at plays by Gertrude Stein and God this is not a play, however short, by Gertrude Stein. Miriam Margolyes could not look more like Gertrude if she tried, and try she does not which is good. The denizens of the Fairies fading fast are fading fast faded fast, the title of which poem is surely

moment, not in the book but in a New York hotel bedroom with some melon steeped in honey dew, a private precious moment with some room service. Alone at last and after 30 years. But who did what to know and how. We never know.

They loved each other only, only that and possibly too much in Alice's case, for the talk it turns out more like Gertrude Stein than Gertrude Stein and thought that Ernest Hemingway might jump into the fair scriber's bed. The writer and the carpenter, exclaims Ms Margolyes, "a tremendous idea." It did not seem like that to tall and tart and constant bending Alice. I gather Peter Sellers loved her. But thereby hangs another tail. Not Barker's, that's for sure. Last month this Galan I met Jaques Brel, and now, I am told, upon Gertrude Stein and Alice B. Toklas. I wonder who will be next. It might be worth staying home for a few weeks.

Die Zauberflöte/Covent Garden

David Murray

Much re-cast (even since the published cast-list), August Everding's production of Mozart's Don Giovanni, with Richard Hickox returning with his Royal Opera debut as conductor. The visible changes remain what it was, detailed, elaborately ambitious, but innocent of any specific ambition. There is a great array of backdrops and set-pieces which give small shift to the "Egyptian" element of the tale: Sarastro's crypto-Freemasonry is presented as a conclave of philosophers, but the other principals are dressed in conventional Never-Never Land style, and the Three Boys get new garb for every entrance, passing from Rococo to sailor-snits to Lederhosen—thus matching the progress of the production itself from cosy tradition to slightly desperate

Kitsch.

It makes a moderately diverting spectacle, vividly lit by the GLC's Coatsworth Drawings fiasco; the wedge being driven between fine art and design education, which can only hurt both; the grievous lack of public funds, our general philistinism, but space runs out. I shall end instead on a more positive note. Sir Hugh Cason is now PPRA and he deserves all our thanks and best wishes in his long and active retirement. His predecessor as President, Sir Thomas Mawson, had managed to turn the grand old Academy ship around into an enormous achievement, but it fell to Sir Hugh to head it out in the mainstream of our cultural life, no matter that the water was decidedly choppy, and not only the hoppers leaked. Well; those boilers have indeed been mended, and a considerable head of steam built up. Roger de Grey, the new president, is a most worthy successor, and we Hugh to head it out into the Academy on into the 'nineties, full steam ahead.

Originally... this Cambridge

Harvey and the Wallbangers/Bloomsbury

Antony Thorne

ONE OF the happiest of recent developments has been the emergence of cabaret acts who offer a spiced musical evening. Currently, in London there is the excellent Fascinating Aida, at the Donmar Warehouse, providing a feminine view of modern life which is both jaundiced and jolly. At the Bloomsbury, Harvey and the Wallbangers are in residence until January 19.

Originally... this Cambridge

spawned group concentrated on a cappella close harmonies but with the Flying Pickets capturing this ground Harvey and the lads, now six strong, have extended their talents to encompass a wide range of instruments and humour.

The result is an entertaining if chaotic show. One moment they are lined up, looking serious, for an unaccompanied "Go down Moses"; the next, blowing their hearts out over "Jail-

house Rock." The jokes are mainly concentrated on the personalities of the performers, Richard Allen offering lugubrious introductions and deadpan magic; Chris Purves exciting the girls in the front row, screaming out Jay Hawkins "I put a spell on you" while cuddling a skull; Harvey Brough half-controlling it all.

The contrasts within the band are its main appeal, and have already attracted a fervent following. I found the changes in mood unsettling. The voices are not quite up to a cappella singing but the other material, which ranges around "downpop" songs like "Breakaway" to novelty numbers like "There ain't nobody here but us chickens" is fun.

The Wallbangers were enter-

taining at the Bloomsbury; in

intimate, on-licence, surround-

ingation they could be a small sensation.

Eugeny Raikov/Warwick Sq

Richard Fairman

Few artists could complain of this setting for a recital. The music room at 33 Warwick Square, home of the Warwick Arts Trust, is a venue of peerless elegance. But for these two visitors—Eugeny Raikov and Nina Aroushanova from the USSR—it barely had the space to allow such passionate and noisy Russian temperament its head.

Raikov is a tenor with the Bolshoi company in Moscow, a big and burly figure with a voice to match.

The best item on his programme was Herman's taxing aria from Chaikovsky's Queen of Spades. Here the roughness and power of the voice were appropriate. The lower register was strong; the top notes were packed with tension.

All this, together with his intense projection of the character, would no doubt be effective in the vast spaces of the British Isles.

Under closer scrutiny his singing often sounded clumsy, though he had managed to turn the grand old Academy ship around into an enormous achievement, but it fell to Sir Hugh to head it out in the mainstream of our cultural life, no matter that the water was decidedly choppy, and not only the hoppers leaked. Well; those boilers have indeed been mended, and a considerable head of steam built up. Roger de Grey, the new president, is a most worthy successor, and we Hugh to head it out into the Academy on into the 'nineties, full steam ahead.

In the latter half of the programme was Herman's tax-

ing aria from Chaikovsky's Queen of Spades. Here the roughness and power of the voice were appropriate. The lower register was strong; the top notes were packed with tension.

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Aladdin/Sheffield

B. A. Young

The Crucible's Aladdin seems designed exclusively for children, and the children loved it. They were given generous opportunities to shout, and they shouted like demons. Then they joined keenly in the singing with gestures in which they were led by Wishee Washee, or Mike Newman, once a Butlin's Redcoat.

Tony Barritt's costumes are wonderfully colourful; the Genie of the Ring, with Susan Holland inside, was a splendid confection of silver lace. But now I've praised the children and the costumes, I can't say much more on the credit side. The book is one of those John Marcelllo concoction arrangements brought massive sonorities to the stage, movement and the music. The sonata was attacked with noisome ferocity. In music by Skryabin and Khachaturyan her virtuosity was vividly exploited.

urging the house to laugh more Martin Duncan, a personable Abanazar, has himself written an Aladdin piece in his time, and indeed for the same director, Clare Venables (assisted here by Euan Michael). I am glad to join Michael Coveney in his campaign for better pantomime scripts. There are plenty of writers who would be overjoyed to add some novelty to the well-known situations.

Tracie Bennett's Aladdin was bright and cheery, but was kindly rewarded with a Princess (Caroline Clare) half a head taller than she. Two "Chinese" policemen used their truncheons freely on everyone, including each other and once on me. I expected that in such a South Yorkshire ambience they'd have been greeted with anger, but there was no hint of police-resentment, or indeed of other strike references, from the extremely good-tempered audience.

Great Expectations/Old Vic

B. A. Young

The adaptation of Dickens's novel that I saw last month in Manchester concentrated on the highlights of the story and came out melodramatic. Peter Cee's version for the Old Vic includes every detail of every phase that he can find room for, and comes out astonishingly lifelike. "Astonishingly" because there is very little bedium in the book, where even the coincidences that bind up the story are handled with enough skill to make them acceptable, if not believable. But Mr Cee's script has the feeling that he sat down in front of his copy of the novel and worked his way straight through, without any imagination of his own.

The style is set from the very start. Robin Wentworth comes downstage and gives a lethargic account of the Kentish scene in Dickens's words. He has rarely ended when suddenly, with no suggestion of atmospheric suspense, Magwitch begins his speech on young Pip. Pip's parents' greatest fears are then whisked away to become a table, and we are in the sitting-room at Joe Gargery's forge, with Mrs Gargery lashing about with her tickler.

Nothing based on Great Expectations can be totally without excitement. Roy Dotrice is sufficiently brutal as Magwitch on the marshes to raise a little frisson. Sheila Burrell's Miss Havisham dies heroically in a red flood. But mostly the tale drags along as if we were looking at a pop-up version of the

old School Library sort of edition. There are adequate cameos by Leon Greene as Joe, Charles Lewison as Wemmick, Ken Wimpey as Pumblechook, and an outstandingly good one by Tony Jay as Jaggers, who makes Dickens's own dialogue, too faithfully followed elsewhere, sound as if it had really been written for this theatre.

The young people are a like bunch. Ian McEwan plays Pip, once he is past puberty, looking a little too 20th-century, but pleasant enough. Before puberty, Pip is Anthony Pearson, robustly confident and able to floor young Herbert Pocket (David Ellick) with a couple of straight lefts in spite of all his show of innocence. Grown-up Herbert is Colin Firth, who is interestingly good with grown-up Pip. Estella has little to do but look beautiful and proud, and Lynn Clayton does both those things all right. Peter Cee is his own director.

So the story is relentlessly pursued, over more than 5½ hours, with two intervals to the benefit of the Old Vic's attractive bars. Scene melts into scene with the aid of Peter Cee's handily moveable scenery. The set is a simple, dark room with a large window looking out onto a garden. The window is covered by a heavy, dark curtain. The room is dimly lit by a single lamp on a table in the corner. The garden outside is dark and shadowed. The curtain is pulled back to reveal a garden scene with a path leading to a gate. The gate is open, and a person is walking away from the camera into the garden. The person is wearing a dark coat and a hat. The garden is dark and shadowed, with some trees and bushes visible in the background. The person walks away from the camera, and the curtain is pulled back again, covering the window. The room is now dark again, with only the light from the lamp visible. The person is no longer visible. The curtain is pulled back again, and the person is visible again, walking away from the camera. The person is wearing a dark coat and a hat. The garden is dark and shadowed, with some trees and bushes visible in the background. The person walks away from the camera, and the curtain is pulled back again, covering the window. The room is now dark again, with only the light from the lamp visible. The person is no longer visible. The curtain is pulled back again, and the person is visible again, walking away from the camera. The person is wearing a dark coat and a hat. The garden is dark and shadowed, with some trees and bushes visible in the background. The person walks away from the camera, and the curtain is pulled back again, covering the

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Tuesday January 8 1985

Rajiv Gandhi's giant task

SUCCESS and good fortune have attended Mr. Rajiv Gandhi during his first weeks as Indian Prime Minister. He has won a resounding electoral victory. He has shown firmness and a proper appreciation of India's needs in his Cabinet building and in his public pronouncements. And he has shown moderation in his first moves to deal with India's regional problems. But Mr. Gandhi needs no reminding that the long haul has only just begun.

Mr. Gandhi has undertaken to give the utmost priority to the problems of the Punjab and of the Sikh minority in India. The shock of the storming of the Sikh Golden Temple at Amritsar and the murder, in retaliation, of Mrs. Indira Gandhi appears to have calmed tempers for the moment. Appearances could be deceptive. Constructive measures are essential before passions revive.

Precisely what will emerge from the ministerial committee working on the matter remains to be seen. But the outlines of Mr. Gandhi's thinking can be inferred from his public statements. He is ready to let chief ministers run the Indian states with the minimum of interference from New Delhi, that had been the custom under his mother. But he insists they must obey the federal constitution. In practice that means no autonomy and no special status, let alone independence, for the Punjab.

Efficiency

The mixture sounds reasonable, but will require continued reasonableness from all parties if it is to work. It will also have to be shored up with agreed solutions to specific local issues.

On the larger issue of the management of the Indian economy and of public affairs in general, Mr. Gandhi has taken his stand upon efficiency. No quarter, he has said, will be given to the lazy and the inefficient.

These are brave words befitting a man who came to the prime ministerial with a technocratic reputation. He has held out the prospect of less protectionism through physical controls and of greater incentives to exporters. A government working party has proposed giving them tax incentives.

Reshaping the Stock Exchange

AFTER NEARLY 200 years, the London Stock Exchange is now gearing itself up to cope with the fundamental constitutional changes which will reflect the transformation in securities dealing practices in London. Today the exchange's council meets to consider proposals which it is hoped to put to the membership in March. But it is likely to require more sessions before the council is satisfied that the resolutions will be reasonably certain to attract the necessary 75 per cent vote at extraordinary meetings of the membership.

The present constitutional position is that the Stock Exchange is an undertaking governed by a deed of settlement, as amended at various times over the years. One key feature is that members own the exchange individually, through holding 5p shares, and at £500 or so have one vote each. Another important characteristic, however, is that the provision of services by the exchange is a mutual arrangement, so that membership cannot receive a valid income or share of profits. At present, new members pay a nominal £1,000 to join along with a £300 annual membership fee.

Within the next two years the exchange has to adjust to a situation in which it will be dominated by the big banks and securities houses, which will become corporate members and will expect to gain effective voting control. Individual membership may still retain some regulatory functions, but will have a much smaller role in the development of the exchange's policy.

This leads on to the central question of how much this individual membership is worth at a time of constitutional transformation. Although mutualism forbids any benefit from trading surpluses, it does not extend to distributions of assets. The London Stock Exchange owns buildings claimed to be worth £100m at replacement cost. It also owns sophisticated electronic information and settlement systems such as Topic and Talisman; and then there is the question of two centuries of goodwill.

To anything up to 1,000 members who are partners in the big broking and jobbing firms, this is largely irrelevant. They have sold out their firms to outsiders, and most expect to receive sums of between £300,000 and £1.5m

lives and allowing them to retain a portion of their foreign exchange earnings.

A trend towards partisanship and towards encouraging the private sector is not new. It was begun in the last years of Mrs. Gandhi and has shown some fruits already.

Foreign bankers are showing greater interest in India and foreign industrialists have begun to take advantage of less restrictive rules governing equity investment in joint ventures.

Mr. Gandhi will be able to carry out his reforms in a relatively promising economic situation. The last two years have been good and the economy is on a growth trend of some 5 per cent a year.

Unlike so many developing countries, India has a manageable foreign debt. In 1981 it amounted to 11 per cent of GNP as against 16 per cent in the case of Brazil. The ratio of debt service to export earnings has been kept to about 12 per cent, though it will rise in 1982 when first repayments are due on IMF credits extended in 1980. That will require higher export earnings.

Given the need for India to husband its resources, it is to be hoped that Mr. Gandhi's enthusiasm for modernising will not lead him into heading runs towards capital-intensive high technology ventures. The World Bank has rightly identified India's need as the overhauling of existing, often inefficient industries, rather than the development of new and expensive ones.

But the greatest need of all is for Mr. Gandhi's enthusiasm to overcome the inertia of corruption and for greater efficiency to capture imagination at the top of the bureaucracy. It will fail unless it involves the lower echelons—the civil servants who actually work on files and see that they get to their destinations. It will fail if industrialists do not accept the challenge of greater freedom. Mr. Jawaharlal Nehru and his mentor, Mr. Gandhi, the Mahatma, took on the British colonial rulers and won. Mr. Nehru's grandson, the present prime minister, is taking on the dead weight of Indian tradition. His task may prove the harder of the two.

A bolstering of business confidence

believe, be seen as the year in which, at long last, Nigeria began to live within its means.

Bankers and businessmen agree that impressive progress was made in imposing fiscal and monetary discipline on an economy which previously had defied all such efforts. Great strides were made, too, towards correcting the twin financial imbalances that have so seriously threatened the economy throughout the 1980s. Internally, the budget deficit was halved to N3.5bn (£41bn)—which is still far too large given the external constraints on the economy—while a semblance of order in the chaotic finances of the state governments was achieved by slashing their estimated deficit from N3.5bn (£41bn) in 1983 to N2bn last year.

Externally, the current account deficit which averaged more than N4bn annually in the 1981/83 period, was almost totally eliminated in 1984 when Nigeria virtually broke even on current account. When capital transactions are included, Nigeria's deficit at N12bn was the lowest since 1980. Most important of all, the rate at which trade arrears accumulated—N4.2bn in 1982/3—slowed dramatically with arrears rising a further N500m during 1984.

The rest of the membership is in a much less fortunate position, however. Nobody is going to pay for the goodwill of a small firm (and many members are sole traders anyway).

It might be too pessimistic to argue that many will lose their livelihoods in the new conditions; but it will certainly be true that, in future, the market will primarily be run in the interests of its large corporate members.

What is questionable is whether austerity—on its own—is enough to see Nigeria through to the 1990s. While government leaders claim that the worst is past and that Nigeria's very modest 1983 1 per cent real growth target is attainable, bankers, businessmen, diplomats and a band of Nigerian technocrats have their doubts—doubts that focus

Coal board war-games

Armchair observers of the miners' strike who harbour deep desires to nobble Arthur Scargill or see Ian MacGregor squirming helplessly in a corner now have the chance to do so.

The protagonists in the dispute have been transferred to the chess board—lovingly recreated in tiny, moulded resin pieces to give the classical war-game board the gristy feel of the picket line.

Scargill and MacGregor are the two kings; the queens are Margaret Thatcher and (somehow mishapen surely!) Neil Kinnock. The bishops represent Milton Friedman and Karl Marx. Flying pickets and police wearing riot visors make up the knights, and Big Ben and the pithead winding gear, the castles. Police and miners' helmets become the ranks of pawns.

The sets, costing less than £20 and with the miners' pieces, naturally, in coal black, are the brainchild of Bill Spalding, a graphic and photographic technician in Durham University's physics department.

"I am not trying to make a point," says Spalding, the son of a miner. "I regard the set as art work. It is unbiased. Each figure is as grotesque or as beautiful as the others, depending on how you look at it. The chess set is not meant to be humorous."

Perhaps Spalding's chess set will add some new twists to the chess. Instead of the Dragon Variation of the Sicilian Defence, how about the Barnsley Variation of the Oggre Attack?

Card tricks

There has been no run on Midland Bank since it announced even bigger losses from its Crocker National subsidiary last week. But NatWest's cash machines seem to have doubts about the creditworthiness of Midland's depositors.

Normally, anybody with a NatWest or Midland cascard can use the other bank's

Austerity may not be enough

By Tony Hawkins, recently in Lagos



Maj-Gen. Buhari: a time for monetary discipline.

on a single issue, whether Nigeria can make it without the IMF.

On the surface, prospects are not good. Major-General Buhari foresees Nigerian exports this year at N5bn, 95 per cent of which will be oil earnings. This forecast, based on oil production of 1.3m barrels a day, looks a shade conservative on 1984 market conditions when output averaged 1.4m b/d, reaching an estimated 1.6m b/d in December, but the oil market is thick with gloomy prognostications of a price crunch in the spring.

Debt-service this year is officially forecast at N3.5bn but because Nigeria did not pay the 1984 interest on the trade arrears promissory notes, this figure is probably slightly on the low side and actual payments could turn out to be closer to N4bn taking the debt.

It is not that Nigeria is over-

NIGERIA'S CASH FLOW PROBLEMS			
(Estimates in US\$bn)			
Year	Exports	Imports	Debt service
1979	17	12	0.3
1980	25	16	0.5
1981	16	17	0.9
1982	13	16.5	1.1
1983	9.5	12.5	1.6
1984	12	8	3.5
1985	10	4	4.5

Source: FT Estimates

service ratio to 50 per cent, about invisible payments will also be further N1bn, leaving only N3.5bn for merchandise imports, which apparently are being treated as a residual or balancing item with Nigerians being allowed to import only what they can afford after servicing their debts. Praiseworthy though this may be, is it realistic?

If this were a one-off situation, it might just be tenable, but unofficial estimates of Nigeria's debt-service commitments suggest a further increase to N4.5bn next year, before peaking at around N5bn in 1987.

Given the generally pessimistic assumptions being made about 1984 oil earnings for the rest of the decade, this means that the debt-service ratio would rise from 50 per cent in 1985 to more than 65 per cent by 1987.

It is not that Nigeria is over-

Men and Matters



machines to get money. But in the last week, those luckless customers who have been transferred to the chess board—lovingly recreated in tiny, moulded resin pieces to give the classical war-game board the gristy feel of the picket line.

The problem apparently stems from the fact that 1984 was a leap year, and the Midland machines cannot count to 366—or, at least, they are programmed to do the calculation differently.

The banks thought they had sorted out the problem until two of my colleagues had their cards digested yesterday. "If it's any consolation," said the Midland man who listened to the complaints, "it happened to me too."

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Close fit

Jonathan Thornton, who quit the NCB Pension Fund at the same time as his boss Hugh Jenkins last month, has boldly found a new slot in the City. He is to manage the £20m investment funds of Close Brothers, the small but growing merchant bank.

Close's management triumvirate—Rod Kent, Peter Stone and Peter Winkworth—who bought the bank from Consolidated Gold Fields back in 1978, added the third investment leg to their specialist banking and corporate finance activities with a reverse takeover of Safeguard Industrial Investments last year.

They plan to co-ordinate their investment, like their banking, in unlisted businesses operating especially in the financial services and high tech sectors.

Normally, anybody with a NatWest or Midland cascard can use the other bank's

market in 1983, fits neatly into this scheme of things.

For the past four years he has been with CIN Industrial Finance, the venture capital subsidiary of the Coal Board's pension fund. Before that he spent four years with ICFC, a similar period as director of Acclaim, a computer systems company launched by the National Enterprise Board.

The code itself contains radical solutions to the trickier questions of property that managers sometimes have to face—but then, as the FCA's executive says, there are difficulties...

"Civil servants' ethical anxieties often arise more from their inability to dissuade Ministers from acting in a way which they, the civil servants, regard as unproper than from the persuasion to act improperly themselves."

"A code of ethics for Ministers would be more appropriate to deal with this but that is beyond our control."

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JUL 11 1985

Letters to the Editor

Britain's economic prospects

From Lord Ezra
Sir.—Mr. Ezra (January 2) takes a rosy view of Britain's economic prospects for 1985. His article would have been better balanced if he had dealt with some of the underlying problems facing Britain, which could emerge in the years after 1985, but he affected by policies adopted in 1985.

Apart from unemployment to which he refers briefly, a major danger signal is surely the rapidly deteriorating balance in our trade in manufactured goods. This has so far been masked by the earnings on oil exports, which are, however, likely to reach their peak in a year or two's time.

In 1982 there was a positive balance of over £2bn in our trade in manufactured goods, and it was much higher in previous years. But in 1983 this turned into a deficit of £2bn, and in 1984 the deficit was running at the rate of £2bn a year.

Erica
House of Lords, SW1.

Telecommunications in Europe

From Dr A. Cullen
Sir.—Guy de Jonquieres' review of trends in Information Technology (January 2) contains both a widely-held misconception and a related contradiction.

The misconception is that the monopoly in telecommunications has been based solely on technical factors. This enables the view to be put that micro-electronics undermines such a "natural" monopoly. Students of telecommunications would object that Europe's national PTTs have developed as monopolies/monopolists as much on institutional, political and economic as on technical grounds.

If Mr. de Jonquieres is correct in suggesting that economies of scale play an important role in the electronics

Overtime denies employment

From Mr. E. Whiting
Sir.—In 1976 there were about one-third of the numbers unemployed today. Then, about 30 per cent of operatives worked about 84 hours overtime each week.

In 1984 your report on overtime (December 31) shows 32 per cent of operatives working 82 hours' overtime. This must almost be a record in peace-time. Overall, overtime now accounts for 115 per cent of working hours, an increase in overtime worked by 35 per cent. New employees there would be no unemployment problem (at least as far as "manual workers" are concerned, who make up the bulk of the unemployed). As well as the unemployed, employers would be delighted too because the 22 per cent overtime premium (according to the Department of Employment figures quoted) would not need to be paid.

Much of the rise in earnings that is so lamented must be due, not to increases in basic wages, but to increasing overtime at higher premiums. I suspect that much of this is due to more Sunday working, which usually demands double pay at least.

How can it be true that many people are being priced out of jobs when over half the employers are willing to pay over 20 per cent more for their

Crude constraints on drugs

From the Managing Director, Upjohn

Sir.—While heartily endorsing the comments made by Mr. J. Cooper (January 3) in response to your leading article (December 28), I should welcome the opportunity to add further points.

The pharmaceutical price regulation scheme is not just designed to reduce costs. Its primary purposes are to increase productivity and to encourage inward investment, research, manufacturing and exports. How can it be said, therefore, that it has not been a "conscientious success" when the pharmaceutical industry remains the only one of Britain's most efficient and productive industries and our fourth largest exporter?

The inference is made that

Secret trial for coal

From Dr J. Stretton

Sir.—As the 1984 coal strike heads into 1985, without commenting in any way on the miners' position, let us "take a look" at the Coal Board's stance. Some 180 separate mines in all sorts of conditions, are unprofitable and must close down. While some may be deep in the red, there can be no negotiation on others, no matter how marginal their unprofitability.

Cash flow, from which costs are deducted to determine profitability, is easily found by multiplying output by the market price of the product. But just a minute, neither the FT nor the BBC Commodity News quotes the coal price. We do not use coal on this island and I do not know whether it is \$10 a tonne or \$1,000 a tonne, nor what price the Coal Board used, nor how it has changed since the strike started. Per-

haps some condemned pits are now profitable.

An unknown price, for an unknown period, negotiated by two teams of government bureaucrats representing the Coal Board and CGB using unknown guidelines, appears to be the only evidence for condemning 180 coal mines to death. The trial was secret.

John Argent's "Predicting corporate failure" published by the Institute of Chartered Accountants in England and Wales states: "The fundamental guiding principle is that it is essential to use at least two different methods of prediction before coming to a conclusion relating to a suspect company." What second method of predicting the unprofitability of its 180 coal mines has the Coal Board put forward?

(Dr) John Hallyburton Stretton
Aparcado 10—Villa Carlos, Mexico, Spain.

Potentially highly unjust

From the Director, Promotion of Non-Executive Directors

Sir—I write to support the aims that underlie the Insolvency Bill but am deeply concerned about one of the methods used to achieve them, viz., the automatic disqualification of company directors on a compulsory liquidation.

Our particular interest, which is in strengthening boards by the inclusion of more able independent directors, would be deeply served by the proposals because they would deter executives and non-executives from joining the boards of companies with problems.

There are numerous circumstances which could lead to a winding up which no reasonable man could have foreseen and judgments about survival are often far from clear. What is more, the distinction between the circumstances which lead to a compulsory liquidation rather than some other course of action is not by any means, always as clear as the legislative proposals imply.

Our concern goes further. We believe that the proposals will tend to discourage entrepreneurial attitudes and make companies more averse to risk. This is not a recipe for much needed growth. Moreover, we fear that many companies which it might have been possible to save will be pre-emptively placed in voluntary liquidation or receivership. Although we are sympathetic to the intention that lies behind the new proposals for the appointment of an administrator, we feel that in practice they are seldom likely to be used.

The greatest concern we all share is the abandonment in this Bill of the fundamental principle of British law: that a man should be deemed innocent until proved guilty. To overturn this practice is wrong. At best it means that a director may be put to considerable personal expense to reaffirm that he is without fault. At worst his reputation may be undeservedly besmirched.

It seems plain that the Government has opted for this course of action to save administrative costs or civil service numbers. These are laudable aims in themselves but not at the cost of gross injustice.

We strongly support the objective of bringing rogues to justice and if this means a few more officials so be it. The plain fact is that our country desperately needs the best directors its competencies can get.

Measures which unnecessarily deter or unfairly penalise good directors are not in the national interest.

Jonathan P. Charkham, 10, Gough Square, EC4.



Taking no care of the pence

From Mr. M. Sciss.

Sir—I trust you will permit me to join the multitude of prognosticators common to the start of the year particularly as I would like to make a forecast for 1985.

Alongside with the exception of the £5 note as the lowest-valued "paper money" in England the 5p piece, known

as one time as a "bob," will become accepted as the lowest-valued coin, not in strict terms of legal tender but as what you would give to a street musician, etc.

In other words, if you lose a coin lower than 5p it will not be worth your trouble to bend down and look for it.

M. Sciss,
19a St Botolph's Road,
Worthing, West Sussex.

The pound and the dollar

From Mr. G. Kramers.

Sir—During December the pound was weak and the dollar was strong. Reading the newspapers and listening to radio and TV one is led to believe that this is due to the falling price for oil on the spot market. While this may be a factor the real reason is surely the need for debtors to buy dollars in order to service their debt.

Assuming that there is 400bn of dollar-denominated debt arising out of the Euromarket and the loans made by banks to Europe, Mexico and South America. Assuming too that the average rate of interest is 10 per cent then \$40bn have to be found each year and \$10bn each quarter to service the loans. We know that payment is often due on March 31, June 30, September 30 and December 31 as it is then that the banks worry if the interest will be received or the loans they have made classified as non-performing.

For many years the Organisation of Petroleum Exporting Countries and such a surplus of dollars that there was no shortage of dollars in Europe. For many years also debtors were able to borrow more

money to order to service their existing debt but in the last couple of years this has changed and the value of the dollar has been pushed up by the need to acquire dollars.

Currency markets and the rates of exchange quoted reflect both the volume of buying and selling and also the number of transactions and that is why, in a free market, the Bank of England has to intervene if it wishes to influence rates.

According to Mr. Martin Feldstein (January 2) America's present current account deficit is \$100bn but only a small proportion of this is likely to end up in London. The Japanese are careful to leave their surplus dollars in the U.S. so that their economy is not distorted by a large increase in the value of the Yen against other currencies.

I predicted that the pound would be weak in June, September and December 1984 and I now predict that it will be weak again (and the dollar strong) in March, June, September and December 1985.

G. H. Kramers,
Perringsdale Lodge,
Mill Hill, N.W.7.

Accounting for inflation

From Mr. D. Dale

Sir.—In your Leader "Accounting for inflation" (January 4) you recommended the accounting standards committee to drop current cost accounting and revert to current purchasing power. There is no doubt whatever that this is sound advice. The only thing one can say in a single sentence about exposure draft 35 is that its determined refusal to recognise the fundamental difference between inflationary price rises and ordinary commercial price changes, and to deal with the former and not the latter has irrationally led it to the most ridiculous conclusions.

Why, however, are you so concerned with possible Government opposition to CIP? Boards

of directors write company accounts, not the Government. The budget for the whole of British industry can hardly be exaggerated. Published profits would be materially reduced, but would be real.

The capacity of companies to pay dividends and pay rises and corporation tax would be shown to be less than at present, and profit plough-back could be more than doubled.

This is just the medicine that industry needs and the CBI should persuade the Government to levy corporation tax on inflation corrected profits—which should have been do as stock relief disappeared.

Douglas H. Dale.

97, Hilderside Road,
Meir Heath, Stoke on Trent.

Philip C. Circus,
Members Room,
Municipal Offices,
Trichinopoly, Midlothian.

are almost entirely concerned with city-wide issues rather than borough or district issues.

It would be ironic if the imposition of VAT on newspapers put in jeopardy a number of titles at a time when the Government is acknowledging that people relate far more to their local Town Hall than to the rather remote offices of County Hall.

Philip Circus,
Members Room,
Municipal Offices,
Trichinopoly, Midlothian.

WHOEVER predicted that 1984 was going to be "pensions year" was not wide of the mark.

In addition to the recent furor over possible taxation of the retirement lump sum benefit and loss of other tax concessions, the pensions industry has been greatly preoccupied by the Government's radical plan for a system of personal (portable) pensions.

But while the tax issue involves a relatively straightforward choice for Mr. Nigel Lawson, the Chancellor of the Exchequer, the portable pension proposals (introduced last July) are extremely complex and likely to dominate the pension industry's thoughts throughout much of 1985.

Reform of the UK occupational pension system—which is widely agreed, penalises "early leavers"—is a cornerstone in the Government's policy to make British employees far more "job mobile." The trouble at the moment is that the value of deferred pensions, based on salary at the time of leaving, tends to be eroded by rising prices.

Mr. Norman Fowler, the Social Services Secretary, has already attempted to correct the present inequities to job changers within the existing company framework by making schemes revalue pension benefits to allow for modest rises in inflation. These proposals are contained in the 1984 Social Security Bill, now in the committee stage in the House of Commons.

But the Government has set its heart on solving the early leaver problem through a much more far-reaching system under which employees would have a personal pension scheme which they would take with them on changing jobs.

The big challenge is how to translate its well-aimed principles into a workable pensions plan ready to introduce in the next session of Parliament.

The proposals announced last July are intended not only to achieve this aim, but several other objectives of this Government including a wider distribution of wealth and more opportunities for investment in new industries.

The problem is that Mr. Fowler has a very tight timetable—the Government is committed to reform in this Parliament—and because of the complexities he is going to find it very hard to keep to it.

He got off to a poor start last year.

The personnel pension proposals published last July were just a skeleton ledger, flesh and muscle; several vital bones were also missing. Mr. Fowler hoped that the pension industry, with its wealth of experience, would get him out of the hole by designing a personnel pension scheme, within his parameters, that would work.

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FINANCIAL TIMES

Tuesday January 8 1985



COST CUTS AND BOOMING SALES SET TO PUSH PROFITS TO \$10BN

U.S. car makers' earnings soar

By PAUL TAYLOR IN NEW YORK

THE BIG three domestic U.S. car makers, General Motors, Ford and Chrysler, look set to report record combined 1984 earnings of about \$10bn - easily surpassing the 1983 record of \$8.15bn.

The record profits - even after adjusting for inflation - reflect the car makers' efforts to cut overheads and improve productivity, with a tremendous surge in car sales last year. Despite the short strike at GM consumers bought 14m cars and light trucks, the best sales performance since 1978.

Car sales last year totalled 10.36m units, with domestically manufactured vehicles representing about 77 per cent of the total, just short of the record 8.3m domestic car sales on 1979.

Although in the last few weeks of 1984 Detroit car makers reported a slight decline in the pace of sales, some Wall Street analysts are projecting another bumper year in 1985, with car sales pushing towards 11m units and light truck sales of almost 1m units.

Others, however, believe 1985 might show a slight decline in new car sales. They point out that some weakness might already be showing.

ing at GM's Chevrolet division, where sales fell 7 per cent in December. Chevrolet sales are often viewed as a pointer to industry trends because they represent the low-priced entry-level section of the industry.

GM, the industry giant, which is also traditionally the most optimistic, has, however, already projected total sales this year of 15m units - putting 1985 on a par with the record sales of the late 1970s.

In addition, all the major U.S. motor manufacturers have announced plans for a substantial increase in production, from 7.6m units last year, and new investment.

GM, reflecting the industry-wide trend back towards large, luxury cars, has also announced plans to keep open its ageing Detroit Cadillac plant when a new luxury car plant opens a few miles away later this year.

Out of the six domestic car makers, four reported higher sales last year. They were led by Honda, which more than doubled its total sales, including imports, to 642,021 units. To move ahead of Nissan whose total U.S. sales slipped by 7 per cent last year to 483,298 units.

Despite the December decline at its Chevrolet division it retained three of the best-selling models last year, the subcompact Cavalier, the

Sales of domestically produced Honda cars increased from 50,492 in 1983 to 133,601, as output from its assembly plant in Marysville, Ohio, expanded.

Foreign car makers sold 2.4m cars in the U.S. last year or about 23 per cent of the total, down from 26 per cent in 1983, while unit-volume slipped by about 2.8 per cent.

Sales of Japanese-manufactured cars fell 0.5 per cent and represented almost 18.4 per cent of the total. The decline in market share primarily reflects U.S. import competition and some gains by the European motor manufacturers, Audi, BMW, Jaguar, Saab, Volkswagen and Volvo.

Among the big U.S. car makers GM reported more than a 13.3 per cent gain in sales of domestically produced cars to almost 4.6m units. The major losers last year were American Motors, which saw its sales of domestically-produced cars fall 1.6 per cent to 190,255 units and VW's U.S. operations, which saw sales fall 13.2 per cent to 73,838 units. Both companies also saw their share of the domestic market, excluding imports, slide.

Bonn still confident after dip in orders

By John Davies in Frankfurt

THE INFLOW of new orders to West German industry registered a slight setback in November, but the Government remains confident that the economy is heading for further moderate growth.

Chrysler included 168,722 of its hot-selling Dodge caravan and Plymouth Voyager multi-purpose vehicle sales in its 1984 total. Excluding these sales its domestic car sales increased 17.3 per cent to 986,926 units.

The company's market share of the domestic market edged up to 13.1 per cent from 12.1 per cent, while its share of the total market remained flat at about 10.3 per cent.

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THE LEX COLUMN Diamonds are not forever

company. Resolving problems caused through the purchase of one oil company by buying another one may look an odd way to do business. But then the American oil industry is not ordinary business.

South Africa

While prime rates in South Africa were jacked up yesterday to a record level of 25 per cent, the rate slipped to an unprecedented low of 30.4750, following the slide in the gold price to \$237 an ounce. Even though the South African Government has accepted that restrictive monetary policies are now needed to curb inflation and keep the balance of payments in line, there is a feeling that all this is too little too late.

Not that the Government is entirely to blame for the boom and bust behaviour of the economy. Gold and rain are two of its most important commodities. The former's price, in dollar terms, has been slipping steadily and the latter stubbornly refuses to arrive. This year's drought looks like being at least as bad, if not worse, than last year's, so that the country may have to be a net importer of maize.

The merger valued Diamond at a touch over \$3bn, which is neither here nor there in the American oil business but looked an extravagant price for a company which lost \$6bn in 1983 and had not fully regained credibility since.

Occidental was offering roughly a third more for Diamond's assets than would have been justified by recent acquisitions in the industry and stood to dilute both its earnings and its net worth in the process. On the basis of reported figures for the first nine months of the year, Occidental shareholders would have suffered pro forma earnings dilution of about 14 per cent increase.

The Ministry said it was sceptical about reading too much into one month's figures, and voiced confidence about the overall economic trend.

Dr Martin Bangemann, the Economics Minister, has already indicated that he expects West Germany to show an increase of about 2.5 per cent in real output this year.

Although official figures are not yet available, gross national product is thought to have grown by about 2.5 per cent last year, despite the setback of the seven-week series of strikes and lock-outs in the metal industries last May and June.

This followed a 1.3 per cent increase in 1983 as West Germany began a hesitant recovery after two years of decline.

The motor vehicle industry is one of the sectors of the West German economy that have been showing some worrying signs in recent months, although the problem has been of most concern to mass-production car makers rather than the prestige sector of the market.

Some motorists have been postponing orders for new cars because they are uncertain about aspects of the Government's plans for encouraging a switch to cars with devices to limit pollution. The building industry is also in the doldrums.

The Government expects exports to provide further strong stimulus to economic growth this year, after indications that West Germany had a record trade surplus last year, when the strong U.S. dollar boosted earnings in D-Marks.

The central bank, the Bundesbank, noted yesterday that the rising dollar had evidently encouraged increased long-term capital exports from West Germany last year. In the first 11 months of 1984 DM 9.4bn (\$1bn) in long-term capital left the country, compared with an outflow of DM 5.8bn in the same period a year earlier.

borrowed abroad without covering their currency exposure will suffer even more.

Subsidiaries of foreign companies will have the double blow of recession and a vast depreciated rand, which fell by 23 per cent against the pound last year and by 42 per cent against the dollar. Some UK companies, like Metal Box, have reduced their South African involvement; for others, like Pitkin Brothers, which earned nearly half its pre-tax profits there last year, the effect will show through in their 1984 results.

Retail sales

Even without the usual seasonal crackle in the index for retail sales, yesterday's small downward adjustment of the November figures would be an argument that the consumer boom of the past two years is running out of steam. Next week's provisional figures for December should finish off the picture of a good year for retailers, a last-minute stampede before Christmas (with the help of some realised and unrealised gains from British Telecom) has surely made up for a fairly dull first half of the month, while the clearing sales have got the new year off to a good start.

New consumer credit in November was down, although admittedly from a high October level, but the general impression is of consumers confident enough about inflation and their own earnings to be ready to buy more. The Economics Ministry pointed out that in October and November together the volume of new orders for manufacturing industry was 8 per cent up on a year earlier. Domestic orders were 4.5 per cent ahead and export orders showed a hefty 14 per cent increase.

The Ministry said it was sceptical about reading too much into one month's figures, and voiced confidence about the overall economic trend.

Dr Martin Bangemann, the Economics Minister, has already indicated that he expects West Germany to show an increase of about 2.5 per cent in real output this year.

Although official figures are not yet available, gross national product is thought to have grown by about 2.5 per cent last year, despite the setback of the seven-week series of strikes and lock-outs in the metal industries last May and June.

This followed a 1.3 per cent increase in 1983 as West Germany began a hesitant recovery after two years of decline.

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GROWTH

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FT8/185

Bangemann in bid to reverse FDP slide

By Rupert Cormwell in Bonn

HERR Martin Bangemann, the leader-designate of the West German Liberal Free Democrats (FDP), has embarked on the daunting task of reversing the electoral slide of his party, which on current trends could prove fatal.

Herr Bangemann, Economics Minister in the Federal Government, is not due to be officially voted in as the successor to Herr Hans-Dietrich Genscher until a special FDP congress in Saarbrücken at the end of next month, when the party is set to launch a new manifesto.

The fractious internal state of the FDP, its waning appeal especially among younger voters, and the proximity of three key state elections in the spring left him no choice but to start at once, however.

Herr Bangemann promised at the traditional Epiphany assembly of the FDP in Stuttgart at the weekend to work for a closer rapport between the national party leadership and rank-and-file FDP activists.

In typically optimistic vein, he claimed that the basic shortcoming of the small centrist party was its lack of self-confidence.

The real difficulties he will have to face, however, were made plain by the surprise election of a complete outsider, Herr Walter Döring, as the FDP's secretary in the state of Baden-Württemberg, historically a heartland of the party.

The victory of Herr Döring over more popular contenders is being taken as sharp proof that local party members are disgruntled with the leadership in Bonn.

Delors plans EMS development

Continued from Page 1

will be worked out when the Commission has its first long meeting tomorrow.

Immediate priorities will be settled on Friday when M Delors meets Italian Government representatives.

He singled out the EMS as the main innovation in the Community over the last two years. It should not be left in "a museum of discoveries." Rather, it should be strengthened, he said.

The Ecu could also not be left to develop in an anarchic and disorganized way - the Community has enough money. Yesterday he arrived to find the Commission was short and had run out of heating oil.

M Delors thought West German

£ slips ahead of money figures

Continued from Page 1

resistance to greater use of the Ecu could be overcome. He recalled that last spring he had heard Herr Karl Otto Pöhl, president of the Bundesbank, say that the advantages overcame the disadvantages. "I am bold enough to believe that diagnosis remains unchanged," M Delors said.

The first task of M Delors, however, will be to help settle the budget dispute between the Council of Ministers and the parliament. The latter has rejected the former's proposals, so there is no 1985 budget. He has a vested interest in ensuring the Commission has enough money. Yesterday he arrived to find the Commission was short and had run out of heating oil.

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INTERNATIONAL COMPANIES and FINANCE

McDermott International Trading (Deutschland) GmbH

have acquired the total share capital of Coutinho AG, the holding company of

Coutinho Caro & Co. AG, Hamburg

Morgan Grenfell & Co. Limited

initiated, and advised McDermott International Inc. in the negotiation of, this transaction

23 Great Winchester Street
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Sanwa International Limited

Société Générale de Banque S.A.

S.G. Warburg & Co. Ltd.

January 1985

U.S. \$300,000,000



Crédit Lyonnais

Floating Rate Notes Due 1994

In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from 7th January, 1985 to 8th July, 1985 the Notes will carry an interest Rate of 9.44% per annum. The interest amount payable on the relevant Interest Payment Date which will be 8th July, 1985 is U.S. \$489.76 for each Note of U.S. \$10,000.

Credit Suisse First Boston Limited
Reference Agent

U.S. \$1,800,000,000



European Economic Community

Floating Rate Notes Due 1990

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Credit Suisse First Boston Limited
Agent Bank

Debt notes

Local loans by Bank Bumiputra under fire

KUALA LUMPUR—Bank Bumiputra, Malaysia's domestic bad loans have run into millions of ringgit because of malpractices among some of its officials, said Tun Hussein Onn, of Malaysia's national petroleum corporation, Petronas.

Tun Hussein, a former Prime Minister of Malaysia, described the bank's domestic lending policies as "just as bad" as those of Bumiputra Malaysia Finance (BMF), according to the national news agency, BMF, the bank's wholly-owned Hong Kong subsidiary, lent 2.5bn ringgit (U.S.\$1.62bn) during 1979-82 to various concerns, including the now defunct Carrefour group.

Last week, an official committee investigating BMF's lending practices, found prima facie evidence of corruption by six BMF executives and directors. All six are believed to be out of the country.

Tun Hussein said that most of Bank Bumiputra's outstanding loans were approved under doubtful security and improper guidelines. He also alleged that the bank officials involved received a certain percentage of the approved loans in the form of money or other gratification and that the bank had initiated proceedings against more than 140 debtors recently in a bid to recover several million ringgit.

The former Prime Minister also said that Petronas, which bought out Bank Bumiputra last September to save the bank from collapse, should check on the bank's financial situation from time to time. He welcomed the government's decision to make public the report by the committee of inquiry and reiterated that a Royal Commission of inquiry was needed to investigate the case further.

The agency also reported that Bank Bumiputra or BMF could seek an injunction to freeze the assets of the six BMF officials

AP-DJ

AP-DJ

interest loans doled out to companies in targeted sectors of the economy.

At the same time, most companies were trading at 17 to 18 per cent, close to the kerb market rates, and well above the official bank lending rates of 10 to 10.5 per cent. The Government simultaneously raised deposit rates at banks to draw money into long-term deposits.

However, the start of trading did not end the controversy surrounding the issue.

Deals began at the issue price of 500 won, and promptly rose to 900 won, reaching the maximum allowable one-day gain with 500 won trading volume of 7,400 shares out of an issue of only 500 shares.

But brokers say the stock came under heavy selling pressure. Lucky Securities, lead manager for the issue, and Kukil Securities, which is owned by Hyundai, intervened to support the price at 900 won.

On the second day of trading the last for the year, the issue fell back to 500 won.

The 20 per cent offering for 42.5m won (\$49m) was the largest flotation in the market's history, and exceeded Hyundai's paid-up capital to 125m won.

It was at this point the Government had encouraged for several years in its push to restructure all Korea's large companies to list their shares.

Korean companies typically are poorly capitalised. At the end of 1983, Hyundai's debts were about 7.5 times its estimated net worth of 180m won.

The Government would also like to reduce the concentration of industrial ownership, which has come under increasing public attack.

Large family controlled conglomerates like Hyundai began to dominate the Korean economy in the 1970s, nurtured on "policy loans"—subsidised, low-

interest loans doled out to companies in targeted sectors of the economy.

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INTL. COMPANIES & FINANCE

Deutsche Babcock sales decline

BY OUR FINANCIAL STAFF

DEUTSCHE Babcock, the West German heavy engineering group, expects to unveil sales factory results for 1984 despite substantially lower turnover.

Weak demand plus the group's efforts to trim capacity at loss-making divisions helped push turnover for the year down to DM 7bn (\$2.2bn), the company said. For 1983, turnover totalled DM 8.1bn.

Babcock, which made a net profit of DM 24m in 1983, said it passed over some risky construction deals last year in

order to minimise potential losses. It reduced activities in its troubled international construction and trade groups.

The company's 1984 order inflow fell to DM 5.8bn in 1984 from DM 7.1bn the previous year.

Orders on hand fell by 15 per cent to about DM 9bn.

In 1984, order inflow is expected to hold steady at 1984 levels. However, turnover may decline further—to DM 6bn.

Babcock said its construction and trading groups lost money in 1984 while industrial engi-

neering and machinery-making operations posted profits.

The company trimmed its staff by 2,270 during the year to 22,515 after the completion of several major construction projects.

It also gained a more substantial financial footing last year with bank debt narrowing to DM 70m from DM 210m a year earlier. Financial investments totalled DM 650m and there is DM 1.2bn of unused credit to fall back on, the company stressed.

Dutch options exchange boosts activity by 45%

BY LAURA RAVIN IN AMSTERDAM

ACTIVITY on the European Options Exchange (EOE) rose by 45 per cent to 5,600 contracts in 1984, with daily turnover rose to 20,150 contracts last year from 13,786 in 1983 while cash turnover grew to Efl 2.9bn (\$812m) from Efl 1.75bn.

In past years, stock options accounted for a majority of activity with 41m of these contracts changing hands compared with 2.55m in 1983. The most actively traded classes were Philips, Akzo and Royal Dutch Petroleum.

Allianz hints at move into banking

HAMBURG — Allianz, the major West German insurance group, is considering going into banking business, according to Herr Wolfgang Schieren, the chief executive.

The Munich-based group last month announced that it was converting itself into a holding company and divving off its primary insurance business into a separate company in order to acquire greater corporate flexibility.

Herr Schieren said he did not see Allianz turning into a universal bank involved in the whole range of banking from small private accounts to big international business portfolios. The company would remain primarily an insurer. "But, in future we cannot exclude possibly taking on business ourselves that is now left to banks."

S.E. Banken is also seeking a change in existing law which prohibits foreign investors from buying shares in a Swedish bank.

The Norwegian Finance Ministry, which is also understood to have again turned down a similar request by Den norske Creditbank, has appointed a working group to consider changes in the current law.

Norway blocks bank equity proposal

By David Brown in Stockholm

The Norwegian Finance Ministry yesterday turned down an application by Bergen Bank, the country's third largest commercial bank, to increase its foreign-owned voting capital beyond the 10 per cent legal limit.

However, the Ministry said the bank could issue up to 20 per cent of its capital in non-voting equity.

Bergen Bank said the decision would not affect a far-reaching deal under which three Nordics banks are seeking to exchange shareholdings in each other to meet growing competition from foreign institutions.

Foreign banks will start operations in Norway early this year, and in Sweden at the start of 1986.

Scandinaviska Enskilda Banken, Sweden's leading commercial bank, Bergen Bank, and Union Bank of Finland are seeking to set up a co-operative Nordic network under the name Scandinavian Banking Partners.

S.E. Banken has applied to the Swedish Government for permission to exchange small shareholdings with the two other banks — 7.5 per cent with Bergen and 3.5 per cent with Union. The deals are worth Skr 93m (\$10.3m) and Skr 157m respectively.

Bergen Bank and Union Bank would exchange 3.5 per cent shares.

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Renault plans FFr 2bn domestic bonds

By Our Financial Staff

RENAULT, the loss-making French state-owned motor group, plans to raise FFr 2bn (\$266m) through the Paris bond market.

The fund raising is part of a huge financing package earmarked by Renault in support of heavy capital investment and redundancy payments.

The group, which ran up losses of FFr 1.6bn in 1983 and was FFr 3.6bn in the red for the first half of 1984, is expected to report very heavy losses for last year.

The bonds will be for 12 years at a fixed rate of 12.5 per cent. They will be sold in lots of FFr 5,000, and have an issue price of FFr 99.50. Payment date will be February 4.

Italian fashion house ahead

By Alan Friedman in Milan

LUCIANO SOPRANI, one of Italy's fastest growing fashion companies, said it expects turnover for 1984 to total L286m (\$14.7m), an increase of 25 per cent on last year. The Milan-based Soprani group's net profit, however, remains small at L700m, up 20 per cent.

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue / December, 1984

\$300,000,000

IBM Credit Corporation

Extendable Notes Due December 15, 1996

Annual interest rate 10 3/4% through December 14, 1987

The Notes will be repayable on December 15, 1987 and on any December 15 thereafter immediately following the end of an Interest Period (a period of one or more whole years ending on December 14 of any year through 1996), at the option of the holder, at their principal amount together with interest to the date of repayment. The Notes are redeemable at the option of the Company, in whole or in part, during the one-year period beginning December 15, 1988, at 101% of their principal amount plus accrued interest to the date fixed for redemption. Unless previously repaid or redeemed, the Notes will mature on December 15, 1996.

The annual interest rate on the Notes will be adjusted on December 15, 1987, end on each December 15 thereafter which corresponds to the beginning on an Interest Period, to a rate established by the Company in its discretion without limitation.

Salomon Brothers Inc

The First Boston Corporation

Goldman, Sachs & Co.

Lehman Brothers

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Merrill Lynch Capital Markets

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Incorporated

Atlantic Capital Corporation

Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette Securities Corporation

Drexel Burnham Lambert Incorporated

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Nomura Securities International, Inc.

PaineWebber Incorporated

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Smith Barney, Harris Upham & Co. Incorporated

Swiss Bank Corporation International

UBS Securities Inc. Wertheim & Co., Inc.

Dean Witter Reynolds Inc.

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December 1984

This announcement appears as a matter of record only.



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Sterling Term Loan
for the equivalent of
approximately
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Lloyds Bank International Limited

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Lloyds Bank International Limited

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Caja de Ahorros y Monte de Piedad de Madrid

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The Mitsubishi Trust & Banking Corporation

Mitsubishi Trust & Banking Corporation (Europe) S.A.

The Mitsui Bank, Limited

N M Rothschild & Sons Limited

The Sanwa Bank, Limited

Société Générale de Banque en Espana

The Taiyo Kobe Bank, Ltd.

Agent Banks:

Banco Hispano Americano, S.A.

Lloyds Bank International Limited

Freeport-McMoRan Inc.

has acquired

Midlands Energy Company

The undersigned assisted in the negotiation of this transaction and acted as financial advisor to Freeport-McMoRan Inc. and as dealer manager of its tender offer.

LAZARD FRÈRES & CO.

December 12, 1984

UK COMPANY NEWS

American expansion helps Ellis & Everard to £1.8m

SHAREHOLDERS IN Ellis & Everard, the distributor of industrial chemicals, "will be pleased" with the outcome for year to April 1984. Chairman Sir Simon Everard reports a pre-tax profit of £1.8m for the first half, against £1.6m, and believes the outlook for the current six months "is promising".

He concedes, however, that economic growth in the sides of the Atlantic may not match up to the 1984 performance. The strong dollar makes U.S. sales and profits "particularly valuable".

For the first half sales shot up from £27m to £38.25m, including those in the U.S. The date of acquisition to September 30, and reflected an increase of 11.1 per cent in the U.K. and 44.5 per cent in the U.S. The strong dollar gave an increase in sales at American Industrial Chemical amounting to 10.3 per cent.

• comment

Ellis & Everard's 61 per cent

DIVIDENDS ANNOUNCED

	Current payment	Date	Corre- sponding div.	Total for last year	Total
Asprey	int. 7	Jan 28	6	17.5	17.5
A. G. Barr	5.75	April 9	5	7.5	8.75
Carlo Eng.	3.5	Feb 22	2.8	6.5	6.5
Ellis & Everard	2.5	March 11	2.25	5.9	5.9
F. B. Tomkins	0.78	April 9	0.64	1.8	1.8

Dividends shown per share net except where otherwise stated. Equivalent after allowing for scrip issue. On capital increased by rights and/or acquisition issues. * USM stock.

growth in taxable profits comes down to more like 43 per cent after stripping out the interest savings from last year's rights issue and the £30,000 to £40,000 conversion of debenture to dollar earnings. The shares had gained more than 20 per cent in the three weeks ahead of yesterday's figures, which still contained enough cheer to lift the price by 12p to 232p. Prillman is responding to treatment but has also expected to lift U.S. operating profits to 11 per cent of the total, while a 11 per cent gain in UK sales suggests that the group has added three or four points to its market share at home. To the dollar's strength has clearly helped by bumper U.S. imports, yet the group has also been breaking fresh ground by moving towards bigger and more diversified products with an emphasis on providing packages of chemicals for specific industrial needs. The only provisos are that many competitors are following a similar strategy — though not so profitably — and that the scope for margin improvement looks limited in a crowded market. Nonetheless, at least £3.7m pre-tax looks in reach for the year, leaving the shares on a reasonable earnings multiple of 17.

Order books remain at a high level and most of the group's customers continue to enjoy good trading conditions. The only proviso is that the half year operating profit came to £1.35m (£1.35m net interest plus £0.25m little gain) at £36.5m. Tax takes £6.2m (£4.2m) and minorities £3.8m (£54,000). leaving the net profit at £7.05m (£567,000), with earnings shown at 14.5p (10.6p) actual and 11.8p (9.3p) fully diluted.

• comment

Ellis & Everard's 61 per cent

Carlo ahead 28% midway

ON SALES 13 per cent higher at £17.65m in the six months ended September 30 1984, Carlo Engineering has lifted its profit before tax by 18 per cent, from £1.7m to £2.0m. Net profit is up 28% to £1.5m. The group is maintaining its dividend of 61 pence per share.

Group activities cover the manufacture and merchandising of card clothing, speciality wire and engineering products. The result reflects a continuation of improvement in profitability, following a record order intake during the third quarter of 1984.

Profits in India were lower, but the UK and Europe both produced improvements.

For the year ended March 31

1984 the group saw the result of major reorganisation and made profit of £2.8m from a turnover of £42.3m. The final dividend was 61p and the directors are forecasting at least maintenance of that amount for the current year.

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• comment

Ellis & Everard's 61 per cent

The Wellcome Foundation Limited

Extracts from the review by the Chairman, Mr A. J. Sheppard, for the year ended 25th August 1984.

Group results — Group turnover increased by 20% to £806m, compared with £674m for the previous year. Nearly 90% of the turnover was outside the UK. Group profit before taxation on a historic cost basis was £9.5m compared with £6.2m, an advance of 46%. The main improvement in the group's overall profit arose from a substantial increase in the results of our subsidiary in the USA where the introduction of new products contributed significantly.

Finance — The group's finances continue in a strong position. At the year end, net borrowings amounted to 22% of shareholders' funds, which is unchanged from last year.

Capital expenditure — During the year our capital expenditure programme totalled £28m. Expenditure in the USA amounted to £28m, of which £10m was for buildings which have been acquired near our existing office and research facilities at Research Triangle Park, North Carolina. Capital expenditure in the UK amounted to £21m. A notable part of this was for the new pharmaceutical development laboratory at Dartford, now nearing completion.

Animal health — We reached agreement during the year with ICI PLC to merge our respective worldwide animal health operations. The new business, which came into being in October 1984 and is known as Coopers Animal Health, will constitute a major force and a strongly competitive element in the world animal health market.

Operations — The launching of "Zovirax" has continued in world markets during the year, thus continuing the recognition of this product as a major contribution to the treatment of herpes infections. The first launch of our new muscle relaxant "Tracrium" was made in December 1982 in the UK and was followed this year by its launch in the USA. Its reception by anaesthetists has been most encouraging and it has quickly become a market leader. The other major new product introduced this year in the USA was "Wellcovorin" tablets, the first oral form calcium leukean antidote to the toxic effects of certain cancer therapies.

The Wellcome Foundation Limited is an international group of pharmaceutical and chemical companies with headquarters in the United Kingdom. Under the will of Sir Henry Wellcome, all distributions received by The Wellcome Trust, which is the sole shareholder, are applied to the support of medical and veterinary research in universities and hospitals throughout the world.

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THE MANAGEMENT PAGE: Small Business

WHEN SIR PETER OSBORNE became disillusioned with his merchant banking job 16 years ago, he dreamed of opening a small antiquarian bookshop.

In a startling example of how many entrepreneurial plans can produce entirely unexpected results, he is now chairman of a £2.6m turnover per year interior decoration company which plans to join the London Stock Exchange Market next month and which has become a household name among the upwardly mobile professional middle-classes.

The growth of Osborne and Little, which sells upmarket wallpapers and fabrics from its Kings Road, Chelsea shop in London and through 35 design showrooms in the UK, owes much to its creators' ability to tread a fine line — so far, at any rate — between maintaining an exclusive image and appealing to a commercial market place.

And that is linked to the group's success in correctly identifying the mood of its customers at a time when high quality interior design has achieved a growing importance among well-to-do property owners. By reinterpreting and modernising the opulence of the late 19th century, Osborne and Little has created a distinctive style which appeals to a narrow but high spending market, and is being constantly updated.

But despite the group's design success, its path to fortune almost led it up a corporate cul-de-sac, and the way ahead looks for from very soon. "Now all Osborne and Little can do is to produce the kind of growth which public shareholders will come to expect depends on whether it can lose its sales base without losing the exclusivity on which it has thrived."

Already, the group has run the risk of creating a major marketing conflict. Last August, it agreed to design a range of 10 fabrics and wallpapers for Marks and Spencer, currently



Sir Peter Osborne (right) and Antony Little (left) resolving a marketing conflict

Treading a fine line

William Dawkins on Osborne & Little's quest for exclusivity

being sold in 25 M and S stores under Osborne and Little's name. The range will be available in 100 stores in the spring, and the group is already collecting a "substantial" royalty income.

Yet the deal was greeted with mild amazement by some of Osborne and Little's competitors and with a degree of reservation by some customers who feared that the upmarket image of a product for which they had paid accordingly was now to be diluted.

Sir Peter concedes: "It was probably a mistake putting our name to the M and S range, because it does mean that our customers could go to M and S and get it cheaper instead of going through our showrooms. There is no reason why we should not design for other people, but in future we have decided to do it on an unattractable basis."

When Sir Peter started out in 1968, he was lucky to have a ready source of cash, a finan-

cial training, and most important, an ideal partner — Antony Little, his brother-in-law and a recent graduate from the Kingston School of Art. Aged 26, the softly spoken bearded Baronet had spent a year immediately after graduating from Oxford working for the merchant bank Singer and Friedlander. "I didn't particularly enjoy that. It just wasn't the place for me," says Sir Peter.

A career in the book trade appeared to be the answer, until Sir Peter met the wife who built up a name for herself as a specialist interior designer through occasional one-off commissions for rich individuals and even for Biba, the glamorous, but ultimately ill-fated, retailer. There seemed to be scope to apply Little's design ideas into building up a range of silk-screen printed wallpapers which could be sold from stock.

So Sir Peter raised £4,000 from two friends and his half-brother, John Aspinall, chair-

man of the eponymous USM-quoted operation, and opened a shop in Old Brompton Road, Aspinall originally put in £1,500, and now owns 9 per cent of the shares in a group which is likely to be capitalised at between £2m and £3m.

At first, Osborne and Little relied on word of mouth to spread the reputation. "It took us several years to cotton to the idea that you should put your paper into a pattern book and send it to showrooms," says Sir Peter.

But by 1973, the pattern books had created enough business to justify moving into a larger shop in the King's Road, which remains the group's only independently owned outlet, apart from a trade showroom opened in Edinburgh a year ago. But the company was still a long way from approaching its present market.

"In some ways it was a cosy existence," says Sir Peter. "With contract work, people always paid up front — or we

made them — and we were almost seduced into thinking that this was the right area to expand because it was so good for cash flow."

It did not take much to see, however, that there was a much larger potential market for wallpaper sales, and that Osborne and Little ever wanted to become a pure contract design company, it would have to reduce that deceptively attractive dependence on commission work and go for growth.

"We were quite happy to do it — it was just a question of whether we could afford it," says Sir Peter. In the event, the group funded its next expansion from cash flow and moved into a small factory in Brixton in 1976, which started its own silk-screen printing as opposed to subcontracting the work for the first time.

The possibilities of just one part of the wallpaper market had been highlighted just a few months after the first shop was opened, when a representative of Clarence House, the US wallpaper and fabric group, appeared at the shop and placed a £10,000 order "pure serendipity," maintains Sir Peter. Clarence House is still the group's distributor in the U.S.

A move into a small factory in Brixton in 1976 also took Osborne and Little into fabric design for the first time. Fabrics currently account for 45 per cent of group sales, but production is subcontracted. Four years later, in 1980, the pair were faced with a familiar decision: whether to go for a broader market or remain in their safe, but restricted, area of hand-printed silk screen papers.

"We decided that there was no future in the £18-£20 per roll range. There was a market, but it was very small and fairly static," says Sir Peter. Again funding expansion from cash flow and bank borrowings, the group moved into its present

4,650 sq metres headquarters in Clapham, where it installed a £100,000 flexographic automated wallpaper printer, capable of producing 2,000 to 3,000 rolls daily.

With its present two machines, Osborne and Little produce about 285,000 rolls annually, which gives it less than a one per cent share of the non-vinyl wallpaper market, although its share of its specialised sector would be rather bigger, even if difficult to define.

However, the group's diversification away from silk screen printing, which still plays a role, brought into direct competition with larger players like Sanderson, Laura Ashley and Liberty.

Osborne & Little's papers are on average 15 per cent more than Sanderson's. However, the market seemed to appreciate that the premium represented a special, but affordable, quality. Profits correspondingly climbed steadily to reach £305,001 before tax last year on sales of £2.9m and £264,145 in the first six months to September 1984.

Aware of the risks of being unable to handle the physical growth which diversification brought, the group installed a computer two years ago, which gives instant warning when any paper or fabric stocks fall below set levels, and which produces monthly management accounts. In one sense, therefore, Osborne & Little has combined a design expertise that has won a shelf-full of industry awards, with a hard-headed commercial approach.

The M&S deal might come to bring the latter quality into question if it comes to damage the group's own independent sales. But it is not the only area being considered for the next step of expansion. A range of bedlinen has recently been launched, and Osborne & Little is thinking hard about other furnishings.

Making the best use of a precious resource

The HOW TO of...

MANAGING YOUR TIME

EVERYBODY wastes time. Reducing this waste in any small business is critical because the owner-manager usually has too much to do anyway, however much time is available.

The first rule of successful time management, therefore, is to accept that there will never be enough time. There is nothing like shortage in encourage efficient use of a precious resource, so start by comparing time with water in a drought. Uncaring heedless waste is criminal; inadvertent waste is stupid.

In many small businesses people work flat out all day — and often well into the night — but always feel up against it. Hiring more staff or buying time-saving machinery will not necessarily ease this feeling if time is being mismanaged in the first place.

Start by adopting the motto: "Work smarter, not harder." The first step then is to keep a log of how your time is actually spent. Use your secretary, getting her to add up time-sheets for a few days to note what you do and how long each task takes. She should keep a parallel log of her own activities at the same time.

Daily planning should take five or 10 minutes with your secretary each morning. The good time manager will delegate as much routine work as possible to his secretary and use her in free off-peak times that are not particularly urgent. Fear that this might lead to bureaucratic inaccessibility can be scotched by building into each day "free" periods in which people can be returned to their own activities.

Plan your tea and lunch breaks too to provide changes of pace in each day, less staleness tempts you in un-scheduled time-wasting "walkabout" and chit-chat. Get yourself right and then you can encourage smarter working throughout the business. But if you behave casually, remember that so may everyone else.

certainly emerge from the exercise, such as the fact that unless you impose order, there will be a drift towards chaos, with time wasted because every task becomes simplified, for a random direction is as important as less important tasks.

Now this drift in chaos manifests itself in managerial life as in things like untidy desks, where retrieval of information wastes minutes that soon accumulate into hours. Interruptions also waste time, stopping activities in their tracks, with an ensuing demand for adjustment, or need to get them going again.

The log should also reveal how subject you are to the tyranny of the urgent and the telephone. There are few important things in life that are also genuinely urgent, yet it is the urgent that usually stops us spending time on the important. "Urgent" matters disrupt efficiency. Analysis usually reveals that they have only become urgent because of poor planning.

Planning is in fact the key to managing time well. It forces examination of what work has to be done and the ordering of priorities. It should be done for several time-scales — three-monthly, monthly, weekly and daily. The longer-term plans will merely lay down how much work needs to be done by such and such a date, but weekly plans — do them on Fridays to avoid a cold start on Mondays — should be the backbone of business activity.

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Plan your tea and lunch breaks too to provide changes of pace in each day, less staleness tempts you in un-scheduled time-wasting "walkabout" and chit-chat. Get yourself right and then you can encourage smarter working throughout the business. But if you behave casually, remember that so may everyone else.

I. H. F.

Why Sapling North West favours a buy-back clause

ALAN PAYNE offers an unusual, if somewhat restrictive view of how to define a small business: it is anything needing less than £100,000 to start up or expand. This means that in his book much of Britain's venture capital industry is useless for the majority of small companies.

"There are 60-odd sources of venture capital in this country," he says. "Most aren't interested in investments of less than £200,000. The reason is economics: it takes as long to investigate a business wanting £50,000 as it does one wanting £500,000. Yet it is undercapitalised businesses needing less than £100,000 that we need to help most."

Payne runs Sapling North West, which manages one of the few funds aimed entirely at this market. Unusually, but probably because of abnormal local circumstances in the wake of the Liverpool's Toxteth riots, the fund was started with government help to help the old British Technology Group in 1982. Last month it was relaunched with £1.25m of new money to expand from its Merseyside base into the whole of Lancashire.

Most of the new backing has come from Lancashire County Council's superannuation fund and the country's profit-making

job creation company, Lancashire Enterprises. Each put up £500,000, which then helped attract £350,000 of private sector support from Royal Life, Royal Financial, the Church Commissioners, and the Lancashire and Merseyside Investment Fund.

Payne says that other support for the Lancashire and Merseyside Investment Fund is on the way. He expects it to rise to £4m by the end of the year.

The relaunch has helped the Government to disintegrate itself — its part in the new fund will be two small bank guarantees carried forward from the original fund's six investments.

Rather than just going for

return on investment, Sapling's approach under Payne has been to devise a means for this fund to get its money back with profits as early as possible so that yet more is available to put into other growing companies. His backer is hoping that this will have a snowball effect in assisting small business expansion in pockets of high unemployment in the North West.

Whereas most funds take equity and leave the money in, Sapling makes the small business sign a buy-back clause. Payne says that the arrangement also overcomes the reluctance of entrepreneurs to surrender equity in exchange for funding, since they can soon

ownership reverts to the now successfully expanded business.

Provided agreed minimum standards of performance have been achieved, the buy-back price is obtained by multiplying Sapling's share of the equity — usually 25 per cent — by the retained profits.

If a company is growing rapidly, it will pay the majority shareholders to buy Sapling out as soon as they can and before the company becomes highly profitable.

Payne says that the arrangement also overcomes the reluctance of entrepreneurs to surrender equity in exchange for funding, since they can soon

get it back. He thinks this reluctance is a major obstacle to small business development because it leads to overborrowing, with all the weakening effects of poor gearing and high interest payments.

Sapling keeps down administrative costs by employing only Payne and his secretary full-time, with a seconde from Kildsons, the accountants, coming in for 1985 to help with the fund's expansion. It then hires help on appraisals and managerial strategy — at a cut price of £200 a day — from one of its own shareholders, the Manchester consultants Collinson-Grant.

Ian Hamilton Fazey

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BQ PRECISION ENGINEERING LTD

This company is a specialised sub-contract machining unit and additionally has its own range of CNC machine tools. It is therefore capable of high-quality work embracing machine, hydraulic and electrics, and would be interested in complete products embracing these disciplines. Equipment concerned with the defence industry and the aerospace industry would be of particular interest.

Products arising from companies currently in receivership will be considered, in addition to new product ideas in need of development.

All bona fide offers will be considered, which can cover the purchase of a product, manufacturing under licence or joint ventures. Any possibilities that would widen the scope of the businesses would also be considered.

All proposals will be examined in the strictest confidence.

Please reply to:
P. R. Armittage
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FINANCIAL TIMES SURVEY

Tuesday January 8, 1985

Air cargo is now one of the major growth areas of world civil aviation. Airlines increasingly recognise the contribution it can make to revenues, while shippers are also benefiting from the improved services being offered.

Hard task to control rates

THE RECOVERY in world air transport now occurring as the recession fades is influencing the cargo side of the industry as well as the passenger sector. Most major airlines are reporting significant growth in both areas which is being stimulated both by the economic recovery and their own strenuous efforts to reduce costs and improve revenues. It now seems likely that the final figures for 1984 will show a substantial gain over those for 1983.

However, the expansion is being accompanied by fierce competition in cargo rates, which in some cases is forcing them down to uneconomic levels. Controlling this expansion is likely to be one of the toughest tasks confronting the entire air freight industry. Airlines, forwarding agents and shippers alike, in the period immediately ahead.

The International Civil Aviation Organisation, the aviation technical arm of the UN, reported that in 1983 air cargo carried by the airlines of over 150 member states amounted to some 11.8m metric tonnes, or about 4.5 per cent more than in the previous year.

This showed a significant improvement over the near-zero growth rate recorded in the depth of the recession in 1980, and the decline of nearly 2 per cent recorded in 1981, and is indicative of the strength of the recovery that is now taking place.

An analysis of the overall pattern of air cargo growth during 1983 by the ICAO shows that

By Michael Donne
Aerospace Correspondent

the biggest increases (in terms of international freight-tonnes (kilometres)) were recorded by the airlines of Western Europe, Asia and in the Pacific Basin (13 per cent each), followed by those of Africa and the Middle East (10 per cent) and North America (4 per cent). The airlines of Latin America and the Caribbean experienced a decrease of 5 per cent, reflecting the depressed economies of many of those countries.

Statistics emerging from various regions of the world for 1984 confirm that the recovery is strengthening. In the UK alone, the British Airports Authority has reported that during September there was a 31.5 per cent overall growth compared with a year earlier in cargo handled at its airports, with Heathrow, Gatwick, Glasgow and Aberdeen all showing increases.

The increase in westbound

months to September 1983. On the North Atlantic air route between North America and Western Europe as a whole, the overall volume of cargo carried in the first nine months of 1984 amounted to 820,573 metric tonnes, or 19.7 per cent more than in the comparable period of 1983.

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The increase in westbound cargo handled by all the UK's airports in 1983, of 725,900 metric tonnes, was worth over £21.5m, representing close to 17 per cent of all the UK's overseas trade.

Heathrow alone is now the

vital port in the UK, in terms of the value of the air cargoes that it handles, accounting for some 18.1 per cent of all UK overseas trade, and some 77 per cent of all UK airborne trade, worth about £16.8bn.

In the UK, however, the

year in air cargo still has

some way to go, since last year's total figure of close to 726,000 tonnes handled was still short of the peak year total of about 797,000 tonnes recorded in 1979.

For the 12 months to the end of September, the overall volume of cargo handled at the BAA's airports amounted to 719,800 metric tonnes, or 18.4 metric tonnes were

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Improvements bring results

FIFTEEN YEARS have elapsed since Heathrow Airport's cargo centre—sometimes referred to as the "cargo village"—was established. It lies at the extreme west of the central passenger area to which it is connected by an underground bonded tunnel. Only vehicles carrying freight unloaded from, or to be loaded onto, passenger aircraft are allowed to use the tunnel (apart from Ratair houses and official vehicles).

Before the centre was built, airline sheds and warehouses for the handling and storage of import and export cargo were scattered about the airfield and there was little, if any, office or warehouse accommodation for air forwarders.

The new centre changed all that. Airlines were offered sites on which to build their own sheds and offices to meet their requirements and were granted 50-year leases by the British Airports Authority. A separate two-storey building, combining individual office and warehouse accommodation under one roof, was provided for the forwarders, while an adjacent building was erected to house Customs and Excise staff.

Two years later, in 1971, a computerised system for the clearance by Customs of imports was introduced. Called LACES (London Airport Cargo Electronic Data Processing System), it was the first such system to be installed at any airport in the world.

I had its limitations. Its use was restricted to imports and it could be used only with in the confines of the airport and only by airlines and forwarders with visual display units (VDUs) on their premises. Nevertheless, it was responsible, more than any other factor for speeding up (minutes instead of hours) the clearance of imports by Customs.

The system was also responsible for creating a much greater sense of mutual trust and cooperation between the airport Customs authorities and the airlines and forwarders than had existed in earlier days.

LACES served its purpose well and by the time it came to the end of its ten years of service, many modifications had been made to the system. Progressively, these had paved the way for the introduction, towards the end of 1981, of LACES successor—ACPS0 (Air Cargo Processing for the 80s), regarded as the most sophis-

tated computerised cargo system in the world.

Both LACES and ACPS0 were developed jointly by a steering committee comprising representatives of the airlines, the forwarders, Customs officials and the National Data Processing Service of the Post Office (now British Telecom). The system is housed at Harmondsworth, close to Heathrow and operated by the NDS.

It is linked with the Customs Departmental Entry System (DEPS) on the same ACPS0 computers and although both systems are separate, they are able to exchange information simultaneously.

There are currently 440 users of ACPS0, which functions on a Bureau and Switch system. Together they use 950 VDUs and Character Printers located both on and off the airport. The system handles no fewer than 9m import and export transactions per year, while DEPS, which is the Customs link and also processes imports at most of the major sea ports, handles nearly 9m transactions each year.

ACPS0 interfaces with the internal computer systems of several major airlines as far afield as Amsterdam and Los Angeles. It provides a wide range of inventory control for imports and maintains a communal file to hold routing package and limited Customs entry data for all consignments.

Tax

About 80 per cent of all import consignments are cleared by Customs within about four hours of arrival. The computer calculates any tax or duty payable and advises the forwarder whether Customs will clear the shipment without inspection of documents and the consignment; whether they wish to inspect documents, or whether they wish to inspect the consignment itself before giving clearance.

Facilities similar to those catering for imports are available through the ACPS0 Bureau for exports. They provide a comprehensive range of functions for inventory control and the build-up and control of flights. Provision also exists for

an export front NDS.

On the export front NDS is

looking to extend the existing

facilities to minimise the

amount of keying and transmis-

sion of information which is cur-

rently handwritten on various

documents, and move instead to

wards an automated area of

processing.

From April 1983, many

major improvements and addi-

tions have been made in the

facilities provided for the

benefit of cargo handling at

Heathrow since the centre

may be introduced at other

world airports by then.

For example, research is

already in progress which will

lead to the standardisation of

messages across the system so

that international airlines in

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Air Cargo 3

Two important UK carriers take a different approach to their cargo-carrying operations in meeting a rising market

Long-term plans laid for profitable developments

British Airways

LYNTON MCALPIN

A QUIET revolution is under way in the cargo operations of British Airways as the airline prepares for its stock market flotation in the spring.

Cargo has always had a place at British Airways, but a greater autonomy and sense of purpose among the airline's cargo management worldwide is evident as cargo revenues rise and cargo efficiency reaches new levels, in the wake of management and technical changes and a rising market.

Many of these changes have arisen with the creation of the new "head office post" of "General Manager, Cargo", an obvious-enough title for an airline, but one British Airways did not use until a month ago.

The change came with a wide-ranging and intensive management re-organisation in 1983. This resulted in the appointment to the new post of Mr Geoff Bridges, the former controller, Cargo, a title which essentially meant the handling of UK cargo.

Mr Bridges was put in charge of a "cargo business centre", set up to manage and co-ordinate BA cargo activities worldwide. The centre is the British Airways' Heathrow Airport Cargo centre, but the idea of a "cargo business centre" is more to do with the creation of business planning for BA's cargo operations worldwide than with a physical centre, though this aspect is also crucial to the future of BA's cargo activities.

For the first time, British Airways has in Mr Bridges a focus of responsibility and power, for the day-to-day and long-term plans for the successful profitable development of cargo in the airline.

The aim is to make cargo as near to an autonomous business as it can be, bearing in mind the current difficulties of defining "absolutely" the profitability or otherwise of cargo operations which are linked as they are with airline passenger operations.

Previously, British Airways cargo operations were based on individual countries. Each coun-

Geoff Bridges: focus of responsibility

try had its cargo manager and staff and they were responsible to the country's BA general manager. Until Mr Bridges' appointment there was no central control or direction for cargo operations.

For the period from July to the end of the 1983-84 financial year in March, Mr Bridges and his team budgeted for a 5 per cent increase in revenue from freight and air mail.

Greater control

Added by a return to growth in air cargo worldwide as well as by greater management control by British Airways, the result at the end of 1983-84 was a £28m increase in revenue from cargo, to a record £207.8m. This was 11 per cent up on the previous year. Air freight accounted for £172.4m and air mail for £35.4m.

The revenue from BA's cargo operations compares with the total turnover of £2,513.7m for the British Airways group as a whole in 1983-84.

The total volume of cargo and mail air freighted in the same period was 250,000 tonnes, a 15 per cent increase on the previous year. The major increase came from air freight with an 18 per cent increase to 180,565 tonnes carried in 1983-84 compared with 1982-83, with freight on short-haul air services growing at 23 per cent.

One of the features of this growth in demand for BA's air cargo services is that the airline's cargo manager and staff were responsible to the country's BA general manager. Until Mr Bridges' appointment there was no central control or direction for cargo operations.

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Mr Bridges was put in charge of a "cargo business centre", set up to manage and co-ordinate BA cargo activities worldwide. The centre is the British Airways' Heathrow Airport Cargo centre, but the idea of a "cargo business centre" is more to do with the creation of business planning for BA's cargo operations worldwide than with a physical centre, though this aspect is also crucial to the future of BA's cargo activities.

For the first time, British Airways has in Mr Bridges a focus of responsibility and power, for the day-to-day and long-term plans for the successful profitable development of cargo in the airline.

The aim is to make cargo as near to an autonomous business as it can be, bearing in mind the current difficulties of defining "absolutely" the profitability or otherwise of cargo operations which are linked as they are with airline passenger operations.

Previously, British Airways cargo operations were based on individual countries. Each coun-



Leading a British Airways Jumbo at Heathrow. The aim is to make cargo a near-autonomous business

British

Revenue targets exceeded

British Caledonian
LYNTON MCALPIN



AN IMPROVEMENT in cargo revenue is expected to be one of the benefits for British Caledonian Airways arising from the Government's white paper on civil aviation. The main change in route structures proposed was the exchange of BCAL's South American routes with British Airways' connections with Saudi Arabia.

Talks about the transfer have been under way since early October, but BCAL has already welcomed the Saudi route as a potentially lucrative market for cargo traffic. The transfer could be completed by the spring, according to BCAL.

British Caledonian estimates that British Airways carries about 13,000 tonnes of cargo between London and Saudi Arabia each year. This would represent a significant addition to BCAL's forecast 54,500 tonnes air freight business for 1983.

The entire BA fleet of passenger aircraft will be able to carry extra freight under the firm to £2m investment programme to make use of all available cargo space. A further £7m is to be spent on developments at the Heathrow cargo centre.

This approximately £10m total current BA investment programme in enhancing its cargo capability is augmented by developments in passenger booking information. Flights are checked for the precise passenger load just before departure. Cargo is then loaded on board in place of any empty passenger seats. "This gives us an extra capacity of 20 tonnes a week for cargo," Mr Bridges says.

Another 15 months is required for all of these improvements in the efficiency of BA's cargo operations to be implemented. "By then we will have increased our cargo carrying capacity by 30 per cent."

A Boeing 747 passenger Jumbo jet has a designed cargo capacity of 4,200 cubic feet.

British Airways plans to make use of an additional 800 cubic feet on each aircraft through the use of these winged pallets and other devices for using

space efficiently. This will add more than 15 per cent to BA's cargo capacity without the purchase of a single additional aircraft.

A further scheme to increase the capacity of the cargo sector, BA's cargo operations are already running 17 per cent ahead of the target of 64,000 freight tonne kilometres.

In operational terms, cargo

capacities on the capacity in the holds of passenger aircraft. The traditional view by passenger airlines is that the cargo operation has to make do with whatever capacity is available in these holds. Without recourse to all-freighter aircraft there is no alternative to cargo managers being limited to the design capacity of an aircraft

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Market position improves

The North

NICK GARNETT

AIRPORTS IN the North of England have been battling against a steep decline in the tonnage of air cargo they handle but two of them—Manchester and the very much smaller Leeds/Bradford—are putting themselves in a better market position.

Manchester International Airport claims to be the third most important air cargo handler behind Heathrow and Gatwick, though throughput has fallen from 46,000 tonnes a decade ago to just under 28,000 in 1983.

Manchester, along with other provincial airports has had to contend with the increasing trend among freight forwarders towards consolidating freight in order to save money, a move which favours the South East airports. This means that a great deal of cargo delivered to Manchester is still sent down to Gatwick and Heathrow by truck.

Boost

The fall in airfreight is being reversed at Manchester however. More than 15,000 tonnes were handled in the first six months of 1984 (up 18 per cent on the same period in 1983) and Mr Vincent Berry, the airport's cargo adviser, is expecting an end of year output of about 31,000 tonnes, about 12 per cent up on 1983.

The airport's cargo handling will receive a significant boost, too, from its new £7m cargo terminal, scheduled for completion in September 1985.

The new purpose-built cargo complex will provide 150,000 sq ft of bonded warehouse space which will be split between Servisair, British Airways, Air Liners and a consortium of seven freight forwarders. The first three companies currently share 110,000 sq ft.

This development follows more than a decade when various cargo expansion plans were shelved for one reason or another.

Big rise in volume

The Midlands

ARTHUR SMITH

THE MIDLANDS can justifiably lay claim to a boom in air cargo, with both Birmingham and the East Midlands Airport notching up dramatic increases in business.

Birmingham Airport, boosted by the £62m passenger terminal opened earlier this year as the Queen, carried almost as much air freight in the first six months of 1984, at 2,007 tonnes, as in the whole of 1983.

CAA licensing, whereby some airlines have been forced to give up other routes in order to begin services and from Manchester, has been a strong factor in the airport's side, hitting cargo handling as well as passenger flights.

Manchester, though, is beginning to attract cargo from London, says Mr Berry. The airport hopes this will cut the amount of cargo deposited at the airport and then simply trucked south. Manchester has been delighted by the response to Arrow Air's weekend New York freighter.

Leeds/Bradford's cargo peak came 16 years ago when 2,300 tonnes went through the airport at Yeadon, but it had fallen dramatically to just 287 tonnes in 1981. The airport handled 330 tonnes in 1983.

A £1m development incorporating a new freight building was completed in 1983 but Leeds/Bradford's cargo throughput will only be significantly improved when other developments, including a runway extension, are ready for use.

One of the principal reasons for the slide in freight handling—and the stunting of passenger growth—is the reduced availability of aircraft capable of using the short runway. Very few freight-only flights use.

Newcastle Airport is much bigger in cargo terms than Leeds/Bradford, handling 3,800 tonnes in 1983 compared with 3,750 in 1979.

The airport has not been affected by recession as much as outsiders might think, mainly because the shape and size of many of the manufactured goods produced in the North East have never made them suitable for air freight.

It is estimated that, in the UK alone, since the ending of the UK Post Office's monopoly on the despatch of letters in 1981 (as a result of the Telecommunications Act), the volume of the existing air couriers'

6,000 sq ft freight building considered necessary to handle the projected growth in cargo.

The amount of cargo arriving and departing by air from Birmingham climbed from 22,100 tonnes in 1982 to 32,288 tonnes last year. But there is also an important business in freight transported by road from Heathrow for forwarding elsewhere. Birmingham handled more than 7,400 tonnes in 1984 an increase of more than 5 per cent on 1982, but growth at 11 per cent on 1982 has been even stronger in the first half of 1984.

West Midlands County Council as owners of the airport will particularly welcome the old terminal building has been chosen as a freight one of the first handful of duty-free zones designated by the Government. The first phase of what will be a private sector venture is due to start early next year.

Mr Eric Dyer, East Midlands Airport's director, says the emphasis is on expansion: "We can honestly say that in

the 20 years we have been operating, there has not been a day when builders have not been at work somewhere on site."

Over the past eight years some nine acres have been developed for cargo use and another phase is about to start which will take up another six to seven acres over the next two to three years.

A new 40,000 sq ft terminal shed was opened recently and plans are now under consideration for a specialist cargo apron which would offer advantages over the present system of moving together mail and passenger activities mixed.

Recession might not have been as severe in the East Midlands as in other parts of the region, but the growth in cargo traffic has been remarkable. Mr Dyer points not only to the expansion of mail and overnight parcel services, but also to increased business that derives from the airport's strategic location and good road links.

In the first nine months of 1984, Bristol's Lulsgate airport handled 2,145 tonnes of air cargo, an increase of 5.1 per cent over the same period last year. Cardiff handled twice as much—4,230 tonnes—but this total was significantly down on the same period a year ago.

At the same time the main bulk of these cargoes left or arrived at Cardiff and Bristol, not by air, but by truck. The Civil Aviation Authority

London sets the pace

Wales and the West

ROBIN REEVES

licensing arrangements allow carriers to run a parallel freight trucking service between scheduled flight destinations in order to carry, so to speak, excess baggage.

Dan-Air, the principal scheduled airline at both airports, has used its licence to run a regular air freight trucking service to and from Amsterdam where it plugs into KLM's worldwide freight handling network.

Given the provision of an ACP 80 terminal—which could be shared by all Bristol's agents—Ms Palmer sees no reason why the airport should not continue to compete.

Cardiff is undertaking a wide-ranging review of the airport's structure and operations. Mr Ian Cran, the airport director, says that it remains to be seen whether they should be allocating more investment towards air freight handling facilities rather than passenger services which are growing rapidly.

In the last financial year, passenger growth at Cardiff was 10 per cent up—one of the higher rates of growth among provincial airports. Existing freight facilities at Cardiff were adequate and it could be suggested that national trends and, in particular, a growth in door-to-door deliveries via Heathrow and Gatwick.

Ms Annette Palmer, Bristol's freight manager, also sees a bright future for the airport's freight business, not least because Dan-Air, since it is also getting the revenue from actually carrying the freight, can quote very competitively against independent air cargo agents using Heathrow and Gatwick.

At the same time the main bulk of these cargoes left or arrived at Cardiff and Bristol, not by air, but by truck. The Civil Aviation Authority

occur. Regional airports like Bristol and Cardiff, on the other hand, offer a personalised service and speedier customs clearance for users.

Indeed, Bristol has plans to develop a freight village, planning permission to build a 40,000 sq ft office and warehousing complex, to bring together agents who are presently scattered around the terminal and delays spread.

But today the outlook is less clear. The introduction of the ACP 80 computerised air cargo handling system at Heathrow, together with other changes, has produced a sharp improvement in the operating efficiency of both centres.

In addition, the limited number of scheduled services from Cardiff and Bristol, using mainly small aircraft, means that neither airport is in a position to compete with the present specialist air freight services involving container consolidation of cargoes for specific destinations from Heathrow and Gatwick.

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A \$4bn world business

Air couriers

MICHAEL DONNE

business has more than doubled, and that this rate of growth is likely to be maintained for the immediate future.

This change in the couriers' business over recent years has been remarkable. From being a Cinderella of the air transport business in the early 1970s, it is now a vital element in business thinking.

One estimate is that the value of business now conducted by the air courier organisations worldwide amounts to more than \$4bn annually. While much of this is in the US, where such services have been established for some time, it is estimated that in the UK alone the annual turnover is now approaching £100m, and is still growing at a rate in excess of 25 per cent a year.

The major organisations in the UK—DHL, TNT and IML, all of whom operate globally—are expanding, and the levels of service and reliability are increasing, as airlines, customs and airport authorities, security personnel, and the commercial companies who make up the bulk of the client base, become aware of the facilities available.

Educating the business user as to the scope of courier services is becoming a major element in the expansion of the system.

What is the "air courier" business? At its simplest, it is a system of conveying time-sensitive material—cheques, credit-card slips, contract tenders, legal documents and other lightweight items—speedily worldwide, accompanied by on-board couriers who are responsible for the safe transport of the bags of material in their charge.

The courier organisations collect the shipments from customers, convey them to the airports, transport them accompanied to destination and hand them over to other representatives of the same organisation who are responsible for final delivery to destination.

Door-to-door and even person-to-person delivery is an essential element of the business, where the quality of services offered, especially reliability and security, are vital to success.

Many airlines themselves have recognised the value of these courier services and some have even tried to develop their own with varying degrees of success. British Airways, for example, recently launched a new door-to-door delivery service to take small parcels or documents from anywhere in Britain to anywhere in the US within 72 hours, at a price per one-kilo package of £48. A 10-kilo package would cost £78.

The courier services acknowledge this kind of competition but believe their own systems can beat it. Frequently, the courier organisations have more highly developed infrastructure systems than the airlines (such as ground collection and delivery operations), and many airlines use the existing courier systems in conjunction with their own operations to offer a total person-to-person service.

At some airports, too, such as Heathrow, there are now special "courier desks", where couriers and their accompanying consignments can be cleared through Customs separately from the normal passenger complements of jet airliners, speeding the flow of documents and packages. This developing specialist ground infrastructure is vital to the continued smooth and rapid expansion of the courier business.

So far, the courier business has been substantially built on the swift and reasonably priced conveyance of low-weight, time-sensitive matter, such as documents, and this business still comprises more than 60 per cent of total turnover.

Increasingly, however, other

items have crept into the business—small spares, for example, for the automotive industry, and other items of comparatively low weight, such as commercial samples, pharmaceuticals and other products, which can be conveyed faster and cheaper than by normal air freight.

Increasingly, however, the courier business is also moving into the small package and parcel business, although so far in the UK this has not reached the same proportion as in the US, where organisations such as United Parcels Services, Emery Air Freight and Federal Express have built substantial businesses around the transport of small parcels nationwide, even to the extent of owning their own fleets of aircraft.

In the UK, while the courier companies do use the normal air freight channels for some of their business, they do not see themselves as direct competitors to the freight forwarders. The couriers remain primarily interested in the swift conveyance on an accompanied basis of low-weight items of considerable time-sensitivity, although they are major users of air cargo when necessary, while the freight forwarders are primarily concerned with shipments that can be containerised and shipped unaccompanied as belly-hold cargo.

Inevitably, there is an overlap, however, especially in the small package business. Also, some freight forwarders have moved into the courier business, either as a defensive measure to maintain their existing customers, or to develop new markets.

At the same time, some courier organisations have moved more extensively into the small package business, and continue to do so. What matters is that there is still room for both the specialist air couriers and the freight forwarders in the increasingly highly complex business of serving the customer across the entire spectrum of air cargo.

This is especially so as the range of commodities serviced increases. Traditionally, banks and lawyers have formed the backbone of the courier business.

In recent years, the credit-card companies have also become significant users of the system, while the oil industry, architects, consulting engineers, automotive suppliers, pharmaceutical companies and others have also moved in. Wherever shipments are small per item not more than 10 kilograms, the use of courier is often faster and less costly than traditional air freight transport methods.

While price is undeniably a major factor in winning business and competition is keen, it appears to be matched by the basic demand for consistent high-speed, reliable service, and maintenance of a code of professional etiquette is vital to the established companies.

One question that is often asked nowadays of courier companies is: "How long can you last before satellite data facsimile transmission or documents removes the necessity for your services?"

The answer must be that there will always be a demand for the physical transport of documents, for legal as well as other reasons. Courier companies can argue that it was once claimed that the growth of telephone communications would either diminish

or put an end to postal services.

At the same time that it is now claimed that "tele-conferencing" will eventually put an end to business air travel.

More high-tech users

Scotland

MARK MEREDITH

the use in particular of Prestwick Airport in Ayrshire which has long been designated the transatlantic gateway for Scotland.

Some airlines and pressure groups want international flights based at Glasgow although local pressure groups and members of parliament in Ayrshire continue to fight for Prestwick which is the least used of the seven BAA airports.

Among the 1,000 submissions to the Department of Transport review will be proposals to centralise all international Scottish air cargo at Prestwick in exchange for the transfer of transatlantic passenger traffic to Glasgow.

Prestwick with 9,000 tonnes of cargo in August 1983 to August 1984 period still represents a 16 per cent drop. Mr George Giese, the airport manager, says that in the April to September period a 3.3 per cent rise has been shown.

One of the criticisms frequently made to the BAA is the lack of air cargo moving through Prestwick is that the quality of the marketing by the BAA has been poor, with perhaps too much emphasis placed

on London and the South East, and not enough on Scotland.

There are signs that this has been recognised by the BAA, especially now that Prestwick has been designated one of the new Freeports in Britain, with a substantial area of the airport being set aside for this use.

But few airlines and cargo shippers seem likely to make use of the opportunities offered by a Freeport at Prestwick until the overall long-term future of the airport is secure, and this is one of the cardinal decisions awaited from the Government's anticipated policy statement on Lowlands airports development.

Only two passenger airlines, Air Canada and North West Orient, use Prestwick and both also send air cargo with passenger flights. Other air carriers users along with Flying Tiger are Air France with one flight per week, and Lufthansa with a weekly flight.

Glasgow Airport, about an hour's drive from Prestwick, has shown a 35 per cent increase in cargo traffic comparing last July's figure with July 1983. For the year, 13,300 tonnes were carried through Glasgow, which on a yearly basis is a 26.2 per cent improvement.

Edinburgh recorded 8,000 tonnes over the year to July, a 4.1 per cent increase, and Aberdeen handled 8,100 tonnes in the year to July, 3.9 per cent more.

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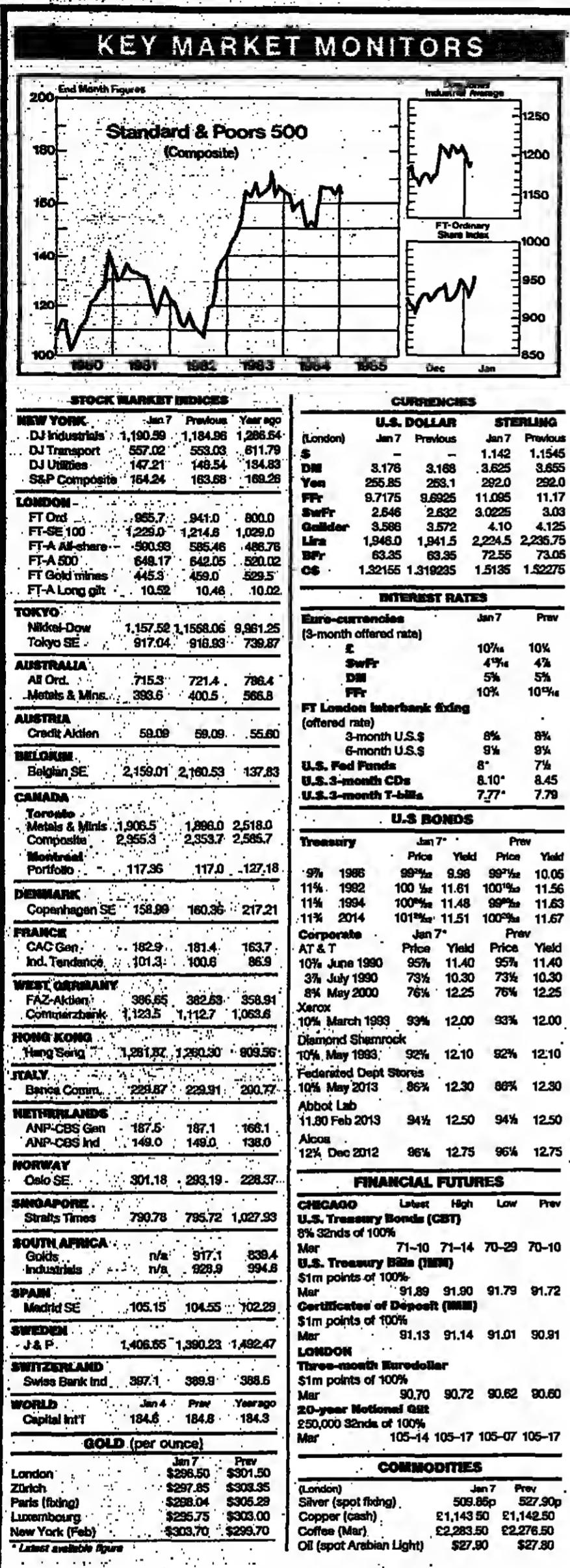
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SECTION III - INTERNATIONAL MARKETS

FINANCIAL TIMES

Tuesday January 8 1985

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WALL STREET

Hopes rise of further Fed easing

FINANCIAL MARKETS on Wall Street rebounded vigorously from recent weakness yesterday when fresh evidence of sluggishness in the economy reawakened hopes of a further easing in Federal Reserve credit policies, writes Terry Bylan in New York.

Bond prices headed higher, encouraged by a fall in short-term interest rates behind lower federal funds rate.

The stock market moved ahead strongly for a time, but buying interest failed to spread beyond the leading stocks. After brushing against the 1,194 mark, the Dow Jones industrial average ended the day at 1,190.59, a net gain of 5.63 points.

The American Stock Exchange index, reflecting the smaller U.S. companies, remained on the downside. Market turnover improved, to show a shares traded to the uncertainty surrounding interest rates and North Sea oil prices.

Institutional investors ignored these signs and soon committed funds to a range of top quality names. Equities with overseas earnings potential were singled out for particular attention.

Midland Bank recovered some of last week's losses and, amid rumours that BAT Industries was preparing a bid, gained 14p to close at 352p.

Chief price changes, Page 28; Details, Page 29; Share information service, Pages 30-31

Sears, was 5% down at 31 1/4, and J.C. Penney, 5% easier at 54 1/4, lacked sparkle. Toys R Us, however, steadied at 58 1/4, up 5%.

The credit market received further encouragement from a dip in the federal funds rate to 8 per cent. The bond market, which now has a two-week respite from the Treasury funding programme which upset prices last week, moved up somewhat erratically. The price of the key long bond, at 101 1/2, was 2 1/2 higher.

Treasury bills were four to 10 basis points lower, and bank certificates of deposit gave up a similar amount.

LONDON

Blue chips sweep away uncertainty

BLUE CHIPS confounded many London market operators yesterday by surging to a new all-time peak as the FT Ordinary index rose 14.7 to a record 955.7. The rise flew in the face of pre-market indications of stock and share values owing to the uncertainty surrounding interest rates and North Sea oil prices.

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AUSTRALIA

WEAKER precious and base metal prices unsettled Sydney as concern continued over the strength of the U.S. dollar. The All Ordinaries index turned 6.1 weaker.

In the stock market, the hope of lower interest rates outweighed fears of recession.

With oil prices still tumbling, airline stocks rose strongly. United Airlines, at 45 1/4, jumped 5 1/4, and American Airlines, its main competitor on domestic routes, gained 5 1/2 to 36 1/4.

Utility stocks, always quick to benefit from hopes of lower interest rates, were in demand, pushing the Dow utilities average ahead.

Among industrials, the most active feature was the expected merger of Occidental Petroleum with Diamond Shamrock. Wall Street had doubts about the plan - one analyst described it as the merger of the sector's two ugly ducklings. Heavy trading in Occidental drove the stock down 5 1/2 to 22 3/4, while Diamond Shamrock, equally active, fell 5 1/2 to 20 1/4.

Computer issues, badly shaken last week, staged a recovery. IBM gained 5 1/2 to 120 1/4, Burroughs was 5% higher at 55 1/2 and Control Data at 34 1/4 added 5 1/2. Honeywell, hurt by a downgrading from some brokerage analysts, remained dull, 5 1/4 off at 56 1/4.

The pharmaceutical groups, hostage to a strong dollar which hurts their overseas pricing, looked sluggish, however. Pfizer was unchanged at 33 3/4. Reports that the board is having difficulty in its admitted search for a bid suitor took 5 1/2 off G.D. Searle, at 53 3/4.

Apple Computer, 5% off at 52 1/4, looked nervous as Atari, under its new boss, Mr Jack Tramiel of Commodore fame, moved to compete with Apple's Macintosh home computer. Commodore was 5% off at 51 1/4.

Retail stocks, unsettled by the disclosure of disappointing Christmas sales figures, turned in a ragged performance. Federated Department Stores recovered 5% of recent losses to stand at 55, but

Apple Computer, 5% off at 52 1/4, looked nervous as Atari, under its new boss, Mr Jack Tramiel of Commodore fame, moved to compete with Apple's Macintosh home computer. Commodore was 5% off at 51 1/4.

Delta also has frequent daily service from the New York and Boston gateways to cities across the South.

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EUROPE

Institutions lead way to new peaks

A RESURGENCE of demand by institutional investors after their absence during the recent holiday period took Frankfurt shares to record levels yesterday.

The Commerzbank index put on 10.8 to 1,123.5, compared with the previous record of 1,118.4 set last Wednesday.

The market also benefited from renewed foreign demand for stocks, with overseas investor interest again whetted by the continued strength of the dollar.

Allianz added DM 36 to DM 1,028 following a report quoting Herr Wolfgang Schieler, chief executive, as saying that the insurer is considering going into the banking business.

Banks found favour, with Deutsche Bank DM 6.20 higher at DM 389.70, Dresdner DM 2.50 at DM 183.70 and Commerzbank DM 1.20 at DM 159.20.

Engineers saw Deutsche Bawcock put on 50 p to DM 159 following expectations of steady incoming orders for the



current year. Linde added DM 3 to DM 399, while MAN was DM 2.30 firmer at DM 158.80.

Bond prices ended lower, with many investors remaining out of the market amid concern over the strength of the U.S. dollar and in the absence of any clear lead from Friday's mixed close of U.S. credit markets.

The low level of business was reflected in Bundesbank sales of just DM 200,000 of paper, compared with sales totalling DM 63.4m on Friday.

A firm tone emerged in active Zurich trading, taking shares to a 12-month high - the result of the high level of liquid funds traditionally enjoyed by Swiss institutions at this time of year, together with strong foreign demand.

Nestlé put on SwFr 175 to SwFr 5,850 following approval by the U.S. Federal Trade Commission of the takeover of Carnation's U.S. subsidiary.

Banks were firm, with Union Bank SwFr 15 ahead at SwFr 3,615 and Crédit Suisse SwFr 25 firmer at SwFr 2,375.

Bonds ended quietly steady.

Reinvestment of half-yearly dividend payments from nationalised companies provided a spur to higher Paris prices. Further demand emerged from investors returning to the market after a long New Year holiday.

A FFr 1.70 rise to FFr 8 by the heavy engineering concern Creusot-Loire, which is currently in bankruptcy proceedings, was attributed to short covering.

Amsterdam turned in a mixed performance although the ANP-CBS General index set an all-time high, rising 0.4 to 187.5 from the previous peak of 187.1 seen last Friday. Publisher VNU rose 50 cents to Ff 215. It expects 1984 profits to be at least 30 per cent higher than the Ff 35.1m earned in 1983.

The Hang Seng index rose 19.57 to

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 27

WORLD STOCK MARKETS

FINANCIAL TIMES

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ENERGY REVIEW

INSURANCE, OVERSEAS & MONEY FUNDS

COMMODITIES AND AGRICULTURE

Gold trades at five-year low

BY JOHN EDWARDS, COMMODITIES EDITOR

Gold traded at the lowest level since August 1979 on the London bullion market yesterday. It sank to \$295.25 at one stage before closing at \$296.5 an ounce, \$5 down on Friday and the lowest close since June 1982.

Dealers said the strong dollar, soft oil prices and high interest rates were continuing to undermine the gold market, sapping the confidence of investors and encouraging speculative setting, especially now that the \$300 mark has been breached.

Gold's fall put fresh pressure on the other precious metals. Free market platinum lost \$5.75 to \$270 an ounce, its lowest level since July 1982. The London market spot price of silver was cut by 25.7 cents (18.5p) to \$53 cents (50.85p) an ounce at the morning fixing. It lost further ground in afternoon trading.

Base metals on the London Metal Exchange remained subdued. There were no big surprises in the weekly warehouse stocks figures. The decline in copper holdings was in line with market expectations but the squeeze on immediate

available supplies tightened again with the gap between the cash and three month prices for higher grade copper narrowing.

Reports of further copper buying interest by the Chinese

THE EUROPEAN Commission has given the go-ahead to a £135m investment programme to poultry and egg production in Britain.

The programme, which will take place over the next three years, means that the UK poultry and egg industries will be able to take full advantage of grant aid from the EEC budget for the first time.

Some £135m will be spent on schemes such as developing production of processed poultry products and increasing chitting and storage capacity for fresh birds, and £122m on rationalisation of egg packing and processing.

Aid totalling £7.7m has also been approved for 63 projects designed to improve marketing and processing of agricultural and fish products in the UK.

● TAIWAN'S cotton imports totalled 1.27m (500 lb) bales in 1984, down from 1.35m in 1983, the Taiwan Spinners Association said.

It attributed the decline to higher cotton prices in the first half of 1984, reflected in a cotton import bill of \$429m, compared with \$405m in 1983.

● EGYPTIAN importers predicted sales of potatoes would total 160,000 tonnes this year, as the first shipment was loaded. They said an excess in world production had brought prices down from last season's average by at least \$100 per tonne.

Egypt last year exported 142,000 tonnes of potatoes, with Britain importing 70,000 tonnes.

● AUSTRALIAN wheat exports totalled 1.06m tonnes in December from 1.39m in November. The Australian Wheat Board said: "This compares with shipments of 668,900 tonnes to December 1983."

● SPAIN'S agriculture ministry has reached agreement with farmers on a 4.7 per cent price rise in 1985 from prices last year was loaded. They said an excess in world production had brought prices down from last season's average by at least \$100 per tonne.

Clearly the incomes increase was due to higher production and the relative stability of input prices. The statistics show that the rate of increase in input prices last year was 1.3 per cent lower than the previous year.

Go-ahead for £135m UK poultry investment

UNTIL the cold spell started last weekend I was enjoying some of the best early season conditions that I can remember.

I am always happy when I can reach the New Year without the farm having suffered either snow or serious frost. It is true that Boxing Day night brought a few inches but they were soon washed away by the return of the south-westerly winds and the grass and the wheat and barley still had a nice green sheen.

It is true that we had a lot of rain, enough to raise the annual rainfall above the average. That too was a bonus because it means that the wells will soon be filling up again for another year.

The autumn growth has been excellent. I have never seen the cereal crops looking so well and free from disease or attacks of slugs. Even the roots seem to have left them alone, probably because there was so much to the way of acorns, beech mast and so on in the hedgerows that they did not feel inclined to pull the young wheat and barley up by the root to get at the seed. The prospects for winter-sown grain look so much better than they did at this same time last year and this year's harvest could be another record in spite of the present freeze.

However, a lot can happen to growing crops over the next six months to destroy one's hopes, and it would be a brave man who would venture a yield forecast at this stage. All I can say is that they looked splendid in the South and now it is in the

Good start raises harvest hopes

hands of nature, helped by fertilisers and fungicides, to produce a harvest.

Some people deplore our dependence on these scientific aids—all I can say is that having grown crops under the care of good husbandry with fixed rotations etcetera the crops I grew then bear no comparison with those I harvest now. It niggles me a bit, as it is so against my early training, but

it is a reminder of the time when I was learning.

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INTERNATIONAL CAPITAL MARKETS

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for January 7.

U.S. DOLLAR

	Issued	Ed	Offr	Change in	Yield
Asian Dev't 12% 88	150	102 1/2	101 1/2	+1/2	11.04
America Exp 13% 82	150	110 1/2	110 1/2	+1/2	11.43
Bank of Tokyo 12% 82	100	105 1/2	105 1/2	+1/2	12.04
Bank of Tokyo 12% 84	100	105 1/2	105 1/2	+1/2	12.04
Deutsche 12% 82	100	107 1/2	107 1/2	+1/2	11.92
Deutsche 12% 83	75	102 1/2	101 1/2	+1/2	11.92
Deutsche 12% 84	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 85	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 86	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 87	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 88	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 89	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 90	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 91	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 92	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 93	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 94	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 95	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 96	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 97	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 98	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 99	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 00	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 01	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 02	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 03	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 04	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 05	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 06	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 07	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 08	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 09	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 10	100	101 1/2	101 1/2	+1/2	11.92
Deutsche 12% 11	100	101 1/2	101 1/2	+1/2	11.92
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